

**MONDAY DECEMBER 1 1997**

**BUSINESS NEWS**

## Competition to buy Rolls-Royce grows as new products near

EMS: Grid

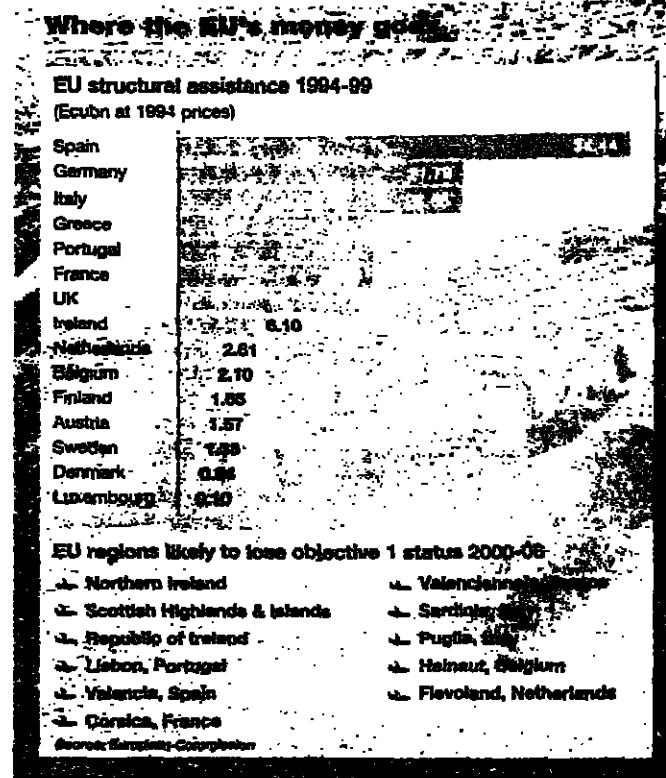
**PhilTel, Philippines' cellular phone group, faces financial pressure after telephone company Philcom decided not to pay for its acquisition of a 20 per cent stake in the group worth 5.17bn pesos (\$148.4m). Page 21**

# Eleven regions may face EU funding cut

The statistics on which the next round, covering 2000-2006, are based will be finalised early next year, with the Council of Ministers likely to make decisions later in the year.

Mr Landaburu said there would be "long and generous"

Spain, have argued that not enough would be spent on their regions. Britain has expressed concern about the way the new objective 2 - covering areas of industrial decline and urban and



Mr Landaburu hinted at a compromise involving targetting by national governments. But he warned: "We need to be vigilant."

In some countries there may be pressure to include regions for political reasons. There needs to be priority for the worst areas, those much affected by unemployment and deprivation."

# S Korea agrees terms for IMF's rescue loan

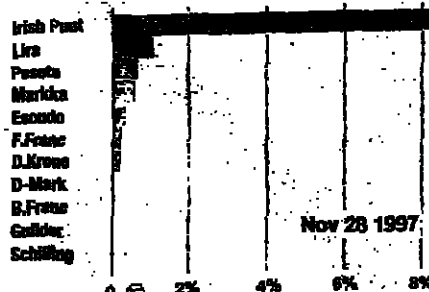
Before Mr Lim's statement, state-run broadcasting said Korea was resisting an IMF demand that it close three troubled commercial banks and 12 indebted

lending to Korea. The calling of short-term loans by foreign banks triggered Korea's debt crisis and forced Seoul to go to the IMF for aid.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

Continued on Page 18  
Saudis point to demand, Page 6

**Continued on Page 18**  
**Saudis point to demand, Page 6**



The turmoil in world currency markets had no effect on Europe's exchange-rate mechanism, supported by the increasingly certain prospects of European economic and monetary union. **Currencies, Page 27**

© THE FINANCIAL TIMES LIMITED 1997 No.33,462  
London • Leeds • Paris • Frankfurt • Stockholm • Madrid • New York  
Los Angeles • Tokyo • Hong Kong

49

Netherlands	100,289	Belgium	87,465	Greece	100,000
Denmark	100,240	Spain	73,644	France	70,000
France	67,252	Germany	55,775	Greece	50,000
Hungary	70,000	Ireland	60,000	Italy	50,000
Sweden	70,250	Latvia	14,100	United Kingdom	1,000,000
Luxembourg	17,000	Monaco	20,000	Netherlands	100,000
Poland	60,000	Portugal	60,000	Spain	70,000
Poland	2,700	Portugal/Spain	50,000	Spain	60,000
Switzerland	60,000	Sweden	70,000	Spain	60,000
Sweden	60,000	Switzerland	60,000	Switzerland	60,000

International 2-8 Management 12 Media 13 Arts 15 Letters 16 Companies 20-22 Currencies 27 Bonds 25 World Equities 28-35

**Inside**

**COMMENT & ANALYSIS**

- Price of provocation  
Page 17
- The cost of sanctions  
Willard Berry, Page 16

## THIS WEEK

- Profile: Bertrand Collomb  
Page 10
- No Dark Age of deflation  
Economics Notebook, Page 10

## MANAGEMENT

- **Prospects for partnership**  
Page 12
- **The business bookstall**  
Page 12

## BUSINESS EDUCATION

● Mastering marketing methods  
Page 14

**An oil deal struck between an American and a Russian Page 12**

## MARKETING & MEDIA

### ● Curbing the big spenders

**Little work between skiers**

Page 14  
● SAP's deal with Amadeus  
Page 14

# Global banking made by WestLB.

The world is shrinking, whereas your scope is growing. WestLB, one of Europe's leading wholesale banks, has the worldwide network to match all your plans. We have both the experience and the potential to achieve

exceptional goals with you. So no matter how high you set your goals, you can rely on us to get you there. To get in touch just call our automatic tax service on (+49) 211 9 44 83 70 or visit our Web site <http://www.westdb.com>



## NEWS: EUROPE

# Klaus resignation opens way for new generation

A new generation of Czech politicians may finally come to the fore after the scandal-induced resignation on Saturday of Vaclav Klaus, one of the longest-serving post-Communist leaders in central and eastern Europe.

The most prominent of the younger faces is Ivan Filip, 34, who as finance minister pushed through reforms intended to overcome the effects of the last spring's currency crisis in the Czech Republic.

Mr Filip is the front-runner to succeed Mr Klaus, 56, as leader of the Civic Democratic party (ODS), the biggest partner in the three-party coalition government.

However, his role in bringing down Mr Klaus has angered some ODS members. He may prefer to bide his time until conditions are more propitious, confident that the top prize will eventually come his way.

Mr Klaus stepped down as prime minister after a scandal erupted over financial donations to the ODS. In typ-

ically forthright fashion, he declared: "I don't think that the country will benefit from the resignation of the government."

Other Czech leaders, including Vaclav Havel, the president, begged to differ. Josef Lux, chairman of the Christian Democrats, the second coalition partner, said the ODS was split and its leadership had no firm mandate.

It is only Mr Klaus's doggedness that kept him in power after his coalition failed to win a majority in last year's parliamentary elections.

When forming a government, he caused a surprise by giving his coalition partners more seats in the cabinet, and by co-opting the chairmanship of key committees to the opposition Social Democrats.

He kept the government afloat by balancing the Christian Democrats and the right-wing Civic Democratic Alliance (ODA) in the cabinet, and by luring two Social Democrats to defect in parliament.

However, the currency crisis and subsequent economic slowdown weakened him by exposing the fragility of Czech industrial restructuring, and various frauds and controversial privatisation decisions tarnished the government's image.

It suffered later from internal bickering and speculation that the Christian Democrats were preparing to defect and ally with the Social Democrats.

Ironically, Mr Klaus resigned at a time when the government was recovering some momentum. Mr Filip's reforms, grudgingly accepted by Mr Klaus, were broadly welcomed in financial circles.

But long-time rivals such as Josef Zeleniec, who resigned as foreign minister in October, and ambitious newcomers such as Mr Filip felt that the coalition could only be maintained under a new prime minister.

If Mr Filip did not succeed Mr Klaus, the leadership could pass to a representative of the old guard, such as Mr Zeleniec or Jan Ruml,

former interior minister.

But Mr Klaus should not be entirely written off. It is conceivable that the party will rally behind its founder and re-elect him at a congress due no later than December 15.

The problem for the ODS is that the scandal looks to be so wide-ranging that the whole coalition could collapse. Mr Lux has been pushing for the coalition to adopt "social market" policies. He called last October for a new cabinet programme, followed by a vote of confidence.

Mr Lux said yesterday he would prefer a non-party prime minister with political backing. There has been speculation that Mr Havel has been preparing a temporary government of experts to govern the country until early elections, perhaps six months from now.

However, no solidly founded government is likely until the ODS resolves its leadership question.

In the event of early elections, opinion polls indicate that the Christian Democrats might be able to form a



Klaus: forced out

new government with the Social Democrats, if the ODA or the far-right Republicans fail to pass the 5 per cent vote threshold needed to enter parliament.

The other coalition parties need therefore to keep the Christian Democrats on board, perhaps by offering Mr Lux the prime minister's job. However, he said yesterday he did not want the job - doubtless aware that it could burden him with the government's unpopularity.

By contrast, he can expect an electoral payoff if he opens a new era with the Social Democrats.

See Survey, separate section, and Editorial Comment

Robert Anderson

# Ministers to tackle 'euro club' stand-off

By Lionel Barber in Brussels

European Union finance ministers will try today to break the deadlock over Franco-German plans to create a new "euro club" for countries joining economic and monetary union.

The plan has led to a stand-off between the 11 likely Euro members and the four countries which intend to stay out of the first wave in 1999: Britain, Denmark, Greece and Sweden.

The non-Euro countries fear that the euro club will be exclusive, undermining the council of finance ministers, which is the key decision-making forum on EU macroeconomic policy.

Britain is seeking a separate deal with France and Germany, which would allow it to join the club on the basis of the size of the UK economy and its willingness in principle to join the single currency. France has signalled interest, but only if the Labour government offers a firmer commitment to join Emu going beyond the statement which Gordon Brown, chancellor, delivered

to the House of Commons last month.

Efforts to resolve the impasse are complicated by differences between France and Germany over the role of the new club. France's leftwing government wants to maximise the importance of the euro club, portraying it as a heavyweight institution to discuss tax, employment and exchange rate policy. Paris sees the group as a political counterweight to the future European Central Bank in Frankfurt.

Germany initially proposed a "stability council" as a tool for enforcing fiscal discipline among Euro countries, but ministers have since played down the importance of the new grouping. Bonn is worried that French demands for a solemn declaration on the euro club at an EU summit in Luxembourg later this month could be viewed at home as a threat to the ECB's independence.

"All this is nothing to do with technical or monetary policy," said an EU diplomat. "This is about political packaging, for the French and

German public."

Today's meeting will explore whether the new club could allow limited access to non-Euro countries or observer status, depending on which issues were on the agenda. Some diplomats are dubious about this approach, arguing that the club will work only if it is kept informal and flexible.

Future euro-countries have warned the four outsiders that, in the end, they will set up the club whatever the objections, but that it is preferable to reach an agreement among all 15 member-states on the ground rules. France and Germany have support for the view that those taking the economic and political risk of Emu should enjoy the benefits and status.

Hence, Finland's robust attitude to its non-committal neighbour Sweden. For Britain, the euro club is highly sensitive. Labour claims that it has transformed relations with Europe, allowing Britain to enjoy equal standing with France and Germany. But this would be challenged if the UK is excluded.

## FINANCIAL TIMES

Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone +49 (0) 158 831. Fax +49 (0) 296 4881. Registered in Frankfurt by J. Walter Bredt, Wilhelm J. Bredt, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bull, Chairman, and Alan C. Miller, Deputy Chairman. The shareholders of the Financial Times (Europe) GmbH are Pearson Overseas Holdings Limited, 1 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at its true address.

## GERMANY:

Responsible for Advertising contact: Colin A. Kennard, Printer: Wirtgen International Verlagsgesellschaft mbH, Adminal-Rosen-dahl-Straße 3a, 65263 Neu-Ulm, Germany. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

## FRANCE:

Responsible Editor: P. Maravall, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 576 8254. Fax (01) 576 8253. Printer: S.A. Nord Edito, 1521 Rue de Caen, F-91000 Rodanville. Editor: Richard Lambert, ISSN 1148-2753. Contribution Postale No 67080D.

## SWEDEN:

Responsible Publisher: Hugh Cragg, 48 618 0888. Printer: AB Kvalitetstjänsterna, Expressen, PO Box 6007, S-550 06, Jönköping.

© The Financial Times Limited 1997. Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

R

# Reforms needed 'after Emu' Nato ponders Bosnia role

By Wolfgang Münchau, Economics Correspondent

European Union countries will require further budgetary consolidation and structural reforms after the 1999 start of economic and monetary union, according to the European Commission.

In a report on the economic consequences of Emu, the Commission says the European Central Bank (ECB) could be confronted by substantial differences in regional inflation rates, even though the average inflation rate under Emu may fluctuate between zero and 2 per cent. "One can reasonably expect that regional inflation differences will be more pronounced in Emu, as the Emu-area will comprise several economies in which GDP per head is considerably below the EU average."

Inflation rates would be higher in catching-up economies because

such economies experience stronger productivity growth. This could trigger wage and price increases.

The Commission warns that monetary policy faces several uncertainties. The ECB will operate monetary policy without being able to rely on long-time series of historic data. It must also take account of differences in the financial structure of member-states. "If the impact and speed of transmission of monetary policy vary between the member-states, it may have an impact on the effectiveness of the ECB's policy and even lead to adverse reactions if the effect on demand is weaker in those regions where inflationary pressures are the strongest."

The report notes that fiscal policy went astray in many EU countries in the last two decades. Budgetary behaviour "indicates that fiscal policies have tended to respond to various political fac-

tors, resulting in a deficit bias."

Budgets would require enough room to allow fiscal stabilisers to work during economic crises or in response to economic shocks. "Achieving a medium-term budgetary position of close to balance or in surplus creates more room for automatic stabilisers to work," it says.

But the report is more circumspect on the virtues of an activist fiscal policy to smooth out cyclical fluctuations.

The Commission argues that Emu will bring "opportunities for better allocation of resources, higher growth and higher employment" but it warns that member states will need to step up reforms in product and labour markets, and continue to consolidate their budgets.

"European Commission, Directorate General 2, Economic Papers, 'Economic Policy in Emu', Part A and Part B, No. 125, 126.

By Alexander Nicoll, Defence Correspondent

Military planning for an international presence in Bosnia after June 1998 is to be set in motion this week, but political decisions on the future of the 34,000-strong Stabilisation Force (SFOR) will not be taken until next spring.

At a meeting in Brussels tomorrow, Nato defence ministers will hold sessions with Igor Sergeev, their Russian counterpart, and with ministers from the Czech Republic, Hungary and Poland, which are due to join Nato in 1999.

Military chiefs are understood to believe that a substantial military presence is essential if peace is to be maintained in Bosnia. Although progress is being made in implementing the Dayton peace accord, it would be reversed if troops were to withdraw.

European governments are convinced of the need for a follow-on force, but the Clinton administration has preferred to concentrate on achieving as much as possible with SFOR and to put off discussion with Congress on a future presence until next year.

General Wesley Clark, the American commander of Nato's European forces, has told governments that a decision on what will happen after SFOR's 18-month mandate expires in June needs to be made by March 1. Defence ministers are expected to call for a study of military options and to agree that there will be no significant reduction before March - contrary to the original plan to scale down its size in stages.

However, the meeting will be overshadowed by two bilateral disputes threatening to delay implementation of Nato's new command structure, which would sharply cut the number of mil-

itary headquarters operations. Britain and Spain are at loggerheads over Gibraltar, while Greece and Turkey have failed to resolve a dispute about control of airspace.

London is threatening to hold up the new Nato structure, which would bring Spain into full participation for the first time, with a new headquarters in Madrid and the closure of a command in Gibraltar. It wants Spain to drop long-standing restrictions on aircraft and ship movements to and from Gibraltar.

Spain has refused to lift the curbs unless it makes progress on the issue of sovereignty over the territory. A British official said: "We think it is extraordinary that an ally which wants to be part of the command structure should prevent forces moving from one part of Nato to another. The restrictions... are not compatible with being in an alliance."

## ADVERTISEMENT



# Will the Kyoto Climate Change Conference produce a balanced agreement?

Like all other nations sharing this small planet, OPEC Member Countries have an interest in a clean, healthy and harmonious environment. We recognise a global responsibility to future generations, who have a right to inherit a sound and sustainable world. Thus, OPEC believes that certain steps may need to be taken to avert the possible consequences of anthropogenic or man-made climate change. But as the group of developing countries that is most dependent upon fossil fuel sales, it is concerned that the legitimate right to economic development, shared by all developing countries, is under threat from the mitigation measures that may come under discussion. The world community should appreciate this, as it gathers today in Kyoto, Japan, for a landmark international conference - the Third Conference of the Parties (COP3) to the United Nations Framework Convention on Climate Change (UNFCCC).

This is the latest stage in long-running negotiations on measures to contain the threat of climate change, set in motion after the UN Conference on Environment and Development, in Rio de Janeiro, 1992. COP3 is expected to set targets for controlling the emissions of "greenhouse gases" (GHGs), which are said to cause global warming.

Were this threat ever to become a reality, the effects would undoubtedly be serious. But even at this late stage, we, the Organization of the Petroleum Exporting Countries, are compelled to point out that scientific opinion is far from unanimous about the very existence of such a threat, let alone about the causes and effects. We need to be wary of a process, steered by the Intergovernmental Panel on Climate Change (IPCC), that has, at each stage, lowered its projections for the rise in global temperatures. Yet in its urge to claim consensus among all scientists, it has dismissed any alternative scientific views, while the media have presented its findings in a way that borders on distortion.

OPEC, thus, unreservedly supports the case for more scientific research into the global climate system. The "greenhouse effect" itself is a naturally occurring phenomenon, but we need to resolve the confusion and the emotive reaction surrounding this entire environmental debate. There are several key questions:

## Is the greenhouse effect leading to global warming?

Average surface air temperature readings appear to have increased by about 0.5 degrees Celsius during the past 100 years, but many scientists believe this observed increase to be largely a result of natural fluctuations in climate, especially since two-thirds of the temperature increase in this century occurred prior to 1940, before most of the increase in anthropogenic carbon dioxide (CO<sub>2</sub>) emissions occurred. Furthermore, satellite measurements have shown no global temperature trend over the recent past.

Without any greenhouse effect, it has been estimated that the average surface temperature on Earth would fall to about zero degrees Fahrenheit (-18°C). Scientists agree that atmospheric concentrations of greenhouse gases are in-

**OPEC recognizes a global responsibility to future generations, who have a right to inherit a sound and sustainable world.**

creasing, at least in part as a result of human activity, and that this leads to an "enhanced greenhouse effect". However, the feedback cycles in the climate system are so complex that our understanding of the impact of anthropogenic emissions is limited.

## Is the scientific community certain human activity is heating the globe?

The full IPCC report of 1996 does, indeed, reflect these uncertainties, but the summary of this substantial work, containing the famous sound-bite regarding the "discernible human influence", clearly played down the uncertainties. Even Dr Benjamin N. Sanner, lead author of the chapter in the IPCC

report addressing the detection of climate change and the attribution of causes, has said that it is unfortunate that people read what he called "the media hype", instead of reading the actual report itself, adding that few scientists would say the attribution issue was "a done deal". In other words, there remains scientific uncertainty concerning the nature of the enhanced greenhouse effect and a vigorous debate continues. Moreover, the claim that over 2,000 scientists were behind the IPCC work, and most were not climate scientists,

## Does this mean we should do nothing yet?

The scientific community needs more time to reach a reasonable degree of certainty over the issue of human impacts upon the climate. This suggests that a cautious approach to mitigation efforts is called for, one which will not entail dramatic costs, but will nevertheless address "no-regrets" options for reducing carbon emissions. Very much in line with this, at the recent set of preparatory negotiations held in Bonn, OPEC Member Countries supported a call from the largest group of developing nations, G77 + China, for a reduction in emissions by 2010.

## What sort of "no-regrets" measures are possible?

Computer estimates show that, if the current energy tax system were to be restructured, without reducing total revenues, to reflect the carbon content of different fuels used by the industrialised countries, total OECD carbon emissions would fall by at least 10 per cent, almost all as a result of lower coal demand. Compare the average tax of US\$66 on a composite barrel of oil consumed in 1995 in the European Union, some 65 per cent of the retail price, with the practically non-existent taxation of coal, which is known to be a far more severe polluter. Taking the "polluter pays" principle to its logical conclusion, the current energy tax profiles of consuming countries would all require a dramatic restructuring in order to be called genuinely "green".

However, a "green" tax must mean exactly that. Presently, such taxes are seen by consuming countries as a tempting way to bridge budget deficits. If the taxes are to earn the label "green", then they should be used to

better the environment, as well as provide a source of compensation for those countries who may have suffered economic injuries as a result of climate change itself or the mitigation measures. OPEC Member Countries are already devoting their own resources to various environmental projects, such as the reduction of gas-flaring, the building of double-hulled oil tankers, and improved oil spill clean-up systems, among other measures.

## Is there agreement on the costs of climate change mitigation?

There is a wide range of estimates of the costs of carbon emission abatement. However, one point of consensus in the international economic community is that countries whose economies are highly dependent upon the export of fossil fuels are likely to suffer the most economic damage from climate change measures. OPEC's research, for example, suggests that OPEC Member Countries could collectively suffer losses in revenue flows of the order of US\$20 billion each year as a result of the proposed mitigation measures being implemented.

## Would OPEC Member Countries be the only nations that would suffer?

According to our projections, by the year 2010, ten of the 12 countries in the world that are most dependent upon fossil fuel sales, will come from our Organization. This means that, generally speaking, our Member Countries are likely to be hit more severely by the revenue loss than most other oil-producing nations. However, in spite of this, the impact on other oil producers is also likely to be severe, particularly where oil revenues constitute a large proportion of national wealth. Moreover, there will also be adverse repercussions on international trade, affecting all parts of the world.

## Why raise the issue of compensation now?

The proposal by G77 + China, for a reduction in emissions by 2010, is contingent upon the development of an appropriate compensation mechanism to address the issue of economic damage to developing countries. This needs to be built into the protocol or other legal document that emerges from Kyoto, since the two issues are interlinked and the best opportunity to incorporate changes is COP3.

## What other key issues are to be negotiated at Kyoto?

Apart from the setting of emissions targets by the developed countries, a major point of contention is likely to concern the involvement of developing countries in the mitigation agreements. The negotiating Mandate agreed in Berlin did not foresee any additional commitments from developing countries at the present time, and the negotiations in Kyoto should therefore conform with this principle. Yet some countries appear to have ignored this agreement by calling for the involvement of developing countries in any protocol that emerges from Kyoto. Possible mechanisms for solving this impasse could be some form of joint implementation or emissions trading, but these tools are still in their infancy, with many implications to be assessed before any major steps in this direction can be taken.

**Other developing countries will have a claim to economic compensation... as a result of climate change or the mitigation measures**

## What does OPEC wish to see from Kyoto?

The 11 Member Countries of OPEC involved in these long negotiations, have watched the progress from Rio to Kyoto with growing concern. Deadlines with little real significance have been deliberately set in order to force the pace of decision-taking. If, therefore, decisions must be made at Kyoto, which ultimately call for reductions in emissions of GHGs, then we intend to see that these cover all such gases, and not just CO<sub>2</sub>. Carbon sinks must also be addressed. Moreover, if fossil fuels are to be the focus of carbon taxation, then taxes must be levied on all fossil fuels in proportion to their carbon content,

and not, as now, disproportionately on oil products. Such an approach is only logical, if the threat is indeed real.

But there is a deeper-lying issue at stake for OPEC Member Countries. The global nature of the problem means we must look at all the costs involved, and make sure they are shared equitably, as is foreseen by the UNFCCC. OPEC has consistently emphasised that there is a need to address the issue of economic damage that will occur in the Member Countries as a result of climate change mitigation measures. This is even embodied in the UNFCCC, specifically under Articles 4.8(b) and 4.10. Article 4.8 contains a list of several groups of developing countries that will also have a claim to some form of compensation, for example, the low-lying states that would suffer from a dramatic sea-level rise.

If Kyoto is to set GHG reduction targets, then, as we have seen, these will imply a massive loss of revenue to fossil fuel exporting developing countries, running into tens of billions of dollars each year. Other developing countries will be similarly affected. Such a scale of losses cannot be borne by OPEC and these other developing countries. Compensation is a necessary concomitant of a balanced agreement and the principle for compensation must be built into the protocol or other legal document that emerges from Kyoto.

OPEC has very firm grounds for its claim. In international law, it is well established that actions by one country which injure another country, even if the action is itself legal, give rise to claims for restitution or compensation. International law also recognises the right of states to pursue development. Indeed, a system has been laid down in successive United Nations Conventions and Resolutions which categorises countries according to their level of development. Various treaties, such as the UN Law of the Sea, recognise the obligation of developed countries to ensure that their policies and measures do not hinder the development of the other groups. We shall be relying on these and other precedents to remind the developed countries that they must now live up to their obligations.

## Organization of the Petroleum Exporting Countries

Web-site: <http://www.opec.org>  
Telephone: +43 1 211 12 280  
Telefax: +43 1 214 98 27



## INTERNATIONAL NEWS DIGEST

French bosses  
dash peace hope

Prospects of a truce between France's Socialist-led government and the employers' federation, CNPF, over plans to impose a 35-hour week were dashed over the weekend by tough statements from Ernest-Antoine Seillière, the industrialist expected to be the Patronat's new head.

In an interview with the magazine *Le Point*, Mr Seillière attacked the government for the "casual and utterly brutal manner" in which the government had thrust the 35-hour week on employers.

He said the CNPF would fight hard to prevent the introduction of any deal that involved further financial burdens on French companies, whose social costs were already the highest of any developed economy.

Mr Seillière also indicated employers should redefine their current corporatist role and no longer be party to negotiations on social legislation. Jean Gandois, outgoing head of the Patronat, resigned immediately after the government announced in October that it would introduce a 35-hour week by 2000. *Robert Graham, Paris*

## TRILATERAL MEETINGS

## Urals venue agreed

Russia, Germany and France plan to hold the first in a planned series of meetings next year in Yekaterinburg, capital of Russia's industrial heartland in the Urals.

Kremlin officials said the venue was set during informal talks yesterday between Boris Yeltsin, the Russian president, and Helmut Kohl, the German chancellor, in the Russian leader's hunting lodge outside Moscow. Yekaterinburg is a particularly congenial summit site for Mr Yeltsin, who was born in a nearby village.

Russia, Germany and France took the decision to begin holding trilateral meetings earlier this year, a move which the Kremlin has welcomed as a counterbalance to the international dominance of the US.

Mr Kohl and Mr Yeltsin also agreed that officials from Russia and Germany would meet later this month to consider using the Russian-Ukrainian AN-70 transport aircraft as the basis for a European military transport aircraft. *Christina Freeland, Moscow*

## POLISH PENSIONS

## Reforms to go ahead

Poland's new centre-right government is to press ahead with plans inherited from the previous administration to introduce pension reforms, a government official said.

Under the World Bank-backed project, Poland plans to introduce privately managed pension funds which will be compulsory for people under 30. These will supplement a basic pension, funded on traditional pay-as-you-go, as well as voluntary private pension plans.

Ewa Lewicka, the official in charge of the reforms, said the government wanted to introduce the system on January 1, 1998. This would require the passage of new legislation tightening the system of pensions paid to the elderly and those receiving disability support.

Under the reforms, Poland intends to cut the social security charge of 45 per cent on gross wages to 35 per cent over 15 years. The charge is currently paid by employers, but the reforms will split it between employers and employees, easing employers' wage bills in the medium term. *Christopher Bobinski, Warsaw*

## EXPORT VIOLATIONS

## Israel and EU in juice pact

Israel and the European Union reached an agreement in Brussels at the weekend aimed at ending a dispute involving Israeli violations of rules-of-origin regulations in exporting orange juice to Europe.

The dispute came to a head last month when the EU charged Israel had exceeded its quotas, exporting orange juice labelled "Made in Israel" but which contained citrus from other countries, mainly Brazil. EU countries can import Israeli orange juice duty free, according to a agreement signed in 1995.

At the weekend, Israel admitted some Israeli companies may have not adhered to regulations. Under the agreement, Israel will re-examine certificates of origin on juice exports between June 1996 and December 1996, and will present its findings to the EU by January 10. If the EU is satisfied, it will rescind the warning to European importers. *Ari Muchlis, Jerusalem*

## VENEZUELAN ECONOMY

## IMF agreement unlikely

Venezuela is unlikely to sign a stand-by agreement with the International Monetary Fund after the two sides failed to agree on measures to finance government liabilities. The government rejected the IMF's proposal to increase petrol prices as a key measure to finance labour obligations, said Luis Raúl Matos Azócar, finance minister.

The government has total labour and social security obligations of \$14bn, of which it must refinance \$8bn over five years. Mr Matos said the budget deficit amounted to 2 per cent of GDP but this "is not worrisome". Part of the debt stems from a reform of a severance pay system earlier this year. Instead of a stand-by agreement, the IMF will now study the possibility of a less exacting "shadow programme", an economic plan monitored by the IMF but not involving any funds. *Raymond Collis, Caracas*

## CONTRACTS &amp; TENDERS

Tender No: 76/1878

90P

Mobarakeh Steel Company intends to purchase 8400 M/T graphite electrodes with following specification:

Graphite electrodes: Nipples: 317.5mm  
Type: U.H.F. Diameter: 457.5 mm  
Grade: AGX Length: 2400 + 75 mm Type: 4  
Length: 125 mm  
Diameter: 600 mm

Interested bidders may obtain a set of bidding documents by the submission of a written application and payment of non-refundable fee of USD 2000, in favor of Mobarakeh Steel Company, through Bank Markazi Iran account No. 138

All bids must be delivered to the below office on or before 23/12/97

Mobarakeh Steel Company  
15km south-west of Mobarakeh  
PO Box 167 Esfahan, Iran  
Raw Material & Energy Purchasing Department  
Fax: 0098 31 327512 & 324324  
Tel: 03355-3707

Mobarakeh Steel Company

## Lawyers line up at court of El Gominas'

Mario Conde, former chairman of Banesto, faces his second trial today, writes David White

For Mario Conde - once the most daring figure in Spanish finance, now struggling desperately to stay out of prison - December is a fateful month.

It was this time 10 years ago that he leapt nimbly into the chairmanship of Banesto, then Spain's second biggest bank. Six Decembers later the Bank of Spain intervened, sacking him and his fellow directors. A year later, just before Christmas, Mr Conde had his first taste of a prison cell, staying in detention for five weeks before securing bail. Today, in the national court in Madrid, he is due to appear for his second and most important trial.

He already faces a six-year term for misappropriation and forgery after a separate trial in March over Pta600m (\$4m) which was siphoned off to a company on the Caribbean island of St Vincent. Pending appeal, Mr Conde was released on bail of Pta2bn.

This time he faces the same presiding judge, but will be flanked by 10 former colleagues at Banesto - including his former vice-chairman, Arturo Romani, and four other board members.

Legal investigations were speeded up at the last minute to include two men accused of organising the receipt of illegal payments in Switzerland: his lawyer, Mariano Gómez de Liaño, and Francisco Sitges, ex-chairman of Asturiano de Zinc, operator of the

world's largest zinc plant, once controlled by Banesto.

Mr Conde, 48, swept to stardom when he bought his way on to the Banesto board in the midst of a hostile bid for the bank. A brilliant lawyer, he had made his fortune by selling a pharmaceuticals company. He was an outsider at the high table of Spanish banking, taking charge of one of the country's fastest institutions. Nicknamed El Gominas (hair-oil) for his handsome looks and slicked-back hair, he was a role model for Spanish yuppies. He bought country estates and a 41m yacht, was photographed with the Pope and received an honorary degree in the presence of King Juan Carlos.

His reign at Banesto brought a new image and an aggressive lending policy which hit serious trouble in the 1993 recession. The bank's problems were aggravated by loans to companies it held shares in. According to an audit in early 1994, the overvaluing of Banesto assets had left a Pta605bn hole in its balance sheet. The rescue cost the Bank of Spain and the banking system a net Pta182bn. Control of Banesto was taken over by Banco Santander.

Many had fancied Mr Conde for a career in politics. Since his fall from grace, he has played a more shadowy role. Although he has denied any intention of political blackmail, he has been associated with leaks of sensitive information



Conde: fighting prison sentence

## THE BANESTO SAGA

1987 - Dec 16: Mario Conde becomes Banesto chairman.  
1993 - Dec 28: Bank of Spain intervenes in Banesto and ousts its board of directors.  
1994 - March 26: Shareholders approve rescue plan.  
April 25: Banco Santander wins control of Banesto.  
Nov 15: Investigating magistrate starts proceedings.  
Dec 23: Conde in custody on charges of misappropriation, fraud and falsification.  
1996 - Jan 30: Conde given bail.  
1997 - March 3: First trial starts over payment made by Banesto to Argentina Trust in 1990.  
March 20: Conde sentenced to six years' jail, Pta600m compensation and Pta18m fine. Granted bail pending appeal.  
Dec 1: Main Banesto trial starts.

Banesto's industrial holding unit, Corporación Banesto, to what prosecutors say was a front company, for Pta600m.

This company later sold a quarter of its stake to the cement producer Portland Iberia, then owned by the Banesto group. The remainder was sold on to another company and then to Metallgesellschaft of Germany, before being bought back by Corporación Banesto. The profit for the intermediaries is put at Pta3.8bn.

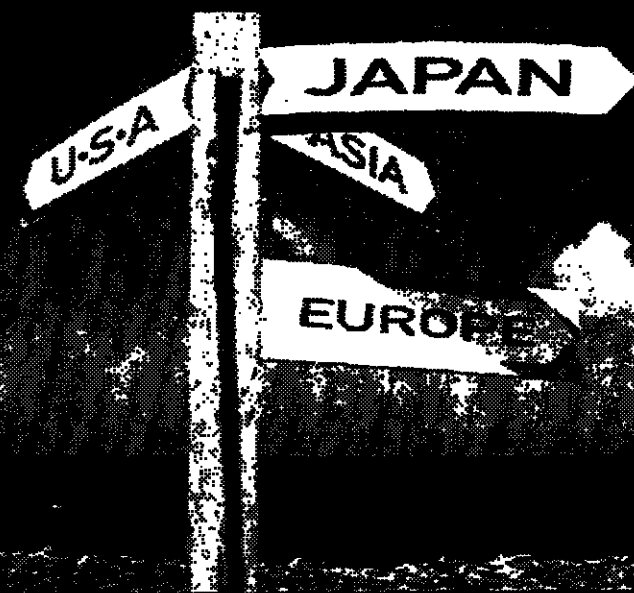
Then there were interests in two other cement concerns which the Banesto group bought for Pta176m. It is alleged to have sold them at the same price to a company connected with Mr Romani, which transferred them to a third company, which in turn sold them to Banesto's Portland Iberia subsidiary for Pta1.4bn.

Similarly, a property company is alleged to have been resold to the Banesto group's insurance arm at a Pta2.36m profit.

Further allegations include a Pta1.34bn payment made by Air Products of the US to take up options on shares in a Spanish industrial gases producer, Carburros Metálicos (now an Air Products subsidiary). The payment apparently never appeared in Banesto's accounts. Mr Conde is also accused of failing to repay a Pta300m cash withdrawal.

The legal investigation, involving an intricate trail of companies in Spain, Switzerland, Liechtenstein and elsewhere, has taken three years. The case dossier is reported to run to 100,000 pages. More than 200 witnesses are due to testify, and the trial is expected to last at least to next April.

The chief defendant has so far failed in his attempts to force a postponement and to have evidence from Bank of Spain experts disallowed. But Mr Conde is a formidable opponent and is still capable of springing surprises.

OUR WAY OF BUSINESS IS NOT  
TO PROMISE YOU THE EARTH...

...BUT TO DELIVER THE WORLD

As an international business, your success depends on your telecommunications services.

You need services which are clear, consistent and stable. You need services where performance is assured and which have 24-hour-a-day support.

WorldSource is a range of telecommunications services that combines a worldwide capability with local expertise, delivered by a communications alliance of the top service providers around the world. WorldSource is already the service of choice for many of the world's top multinational companies. They like the way we work. We think you will too. Because WorldSource doesn't promise the earth. But it delivers the world.

For more information on WorldSource, visit us at <http://www.att-unisource.com>

WorldSource is already the service of choice for many of the world's top multinational companies. They like the way we work. We think you will too. Because WorldSource doesn't promise the earth. But it delivers the world.

For more information on WorldSource, visit us at <http://www.att-unisource.com>

WorldSource is already the service of choice for many of the world's top multinational companies. They like the way we work. We think you will too. Because WorldSource doesn't promise the earth. But it delivers the world.

For more information on WorldSource, visit us at <http://www.att-unisource.com>

WorldSource is already the service of choice for many of the world's top multinational companies. They like the way we work. We think you will too. Because WorldSource doesn't promise the earth. But it delivers the world.

WorldSource is already the service of choice for many of the world's top multinational companies. They like the way we work. We think you will too. Because WorldSource doesn't promise the earth. But it delivers the world.



WorldSource Services are delivered by AT&amp;T-Unisource distributors across Europe.

## NEWS: ASIA-PACIFIC

## Congress meets Narayanan today

By Mark Nicholson  
in New Delhi

India's Congress party will today meet K.R. Narayanan, the president, to press its claim to form a new government and so avert early elections.

However India's once dominant party appeared to have failed this weekend to win sufficient support to form a parliamentary majority.

Mr Narayanan spent the weekend meeting constitutional experts and members of India's election commission, responsible for conducting polls, after Congress decided on Friday to bring down the minority United Front coalition.

However Mr Narayanan



Narayanan: yet to signal whether he will invite Congress to form government or will order mid-term poll

has yet to signal whether he is prepared to invite Congress to try to form a government, or will order mid-

term elections. February would be the earliest poll date which could be organised for India's 800m voters.

The president yesterday met leaders from the Hindu revivalist Bharatiya Janata party, the biggest party in the 544-seat parliament with 193 MPs and firm allies. The BJP, has so far failed to win any pledges of support from smaller parties, but after the meeting L.K. Advani, party president, said: "We have the strongest claim."

A flurry of political meetings followed Friday's decision by Congress to withdraw support from the UF. By late yesterday, Congress could claim firm backing from only one UF constitu-

ent party, the Rashtriya Janata Dal, a Bihar-based party with just 16 MPs. Congress itself commands only 140 and needs at least 272 to govern with a majority coalition.

Meanwhile, most other UF constituent parties made a public display of unity on Saturday, their leaders gathering in a phalanx, linked arms aloft, after a meeting at which they reiterated their rejection of support for either Congress or the BJP.

The lack of political momentum behind Congress led much of the Indian press to argue that elections were now inevitable, and probably desirable.

"Elections please!" ran an

editorial in Business Line newspaper, which said that continued political uncertainty "will only harm the economy and bring about an adverse impact on the already depressed stock market, the weakened rupee and the trickle of foreign direct investment."

India's lingering political limbo is likely to herald a further skittish week in the markets, though it appears unlikely to derail a \$400m international equity offering by MTNL, the state telephone company. Bankers said they expected the issue of Global Depository Receipts, international paper linked to underlying Indian shares, to be priced tomorrow as expected.

## Daewoo to halt French TV plans

By Robert Graham in Paris

The financial crisis in South Korea has forced Daewoo, the Korean industrial conglomerate, to halt plans for a \$71.7bn (\$62bn) investment in a cathode-ray glass tube plant in Lorraine, eastern France.

Also understood to be affected by the same decision is the proposed expansion of a television set plant and plans to produce refrigerators also in the Lorraine region. This move by Daewoo is the first evidence of South Korea's problems extending to France.

The news provoked a swift reaction over the weekend from trade unions who called on the government to put pressure on Daewoo to revoke its decision. Union leaders said they feared this could herald a broader retreat by Daewoo after losing "faith in doing business in France".

Daewoo was left bitterly disappointed by the previous government's decision to block its 1996 bid to acquire Thomson Multimedia, the civilian electronics and television production side of the state-controlled Thomson group.

This would have allowed Daewoo to become the world's largest producer of TV sets with 15 per cent of the market.

Last Friday local authorities in Lorraine claimed Daewoo was holding back its planned investment because of uncertainties over proposals by Lionel Jospin's government to introduce a 35-hour week by the year 2000.

But over the weekend it emerged the 35-hour week was only a small element behind the group's decision compared with the turmoil in South Korea. Daewoo is also reported to have little immediate need of extra capacity in Europe for making glass for cathode-ray tubes as a result of its recent purchase of Korea Electronic Glass.

## Japan's edgy markets buzz with rumours

At the sound of the word *tobashi*, Koichi Kane, managing director of Kokusai Securities, Japan's fourth largest broker, frowned.

"These rumours are completely unfounded," he said angrily, referring to reports that Kokusai had hidden losses that had been shuffled between accounts, a practice known as *tobashi*.

"There are many market rumours now because people are nervous. But you have to wonder who is placing them." It is a question many ask in Japan as its markets buzz with rumours after the collapse last week of Yamai Securities and revelations that it had ¥260bn (\$2bn) in *tobashi* losses.

Some Japanese officials think they know the answer. On Friday Yasuda Trust, an ailing trust bank, alleged that "groundless rumours" spread by traders had been the reason its share price plunged 40 per cent last week.

Similar allegations are being echoed by other companies, after Yamai's failure triggered a sharp drop in the share price of several banks and brokers.

And these allegations have prompted the Ministry of Finance to ask the Securities Exchange Surveillance Commission (SESC), Japan's financial watchdog, to investigate whether such negative rumours have been "deliberately" spread to drive down the share price of companies. If they find evidence that traders have done this to make profits, they will prosecute, they warn.

The investigations are likely to cover several western companies, including the US investment bank Morgan Stanley.

Western bankers insist that such allegations are naive. Though the market has been full of rumours, they argue these are inevitable in times of high volatility. This has been made worse because of the country's poor record in dis-

sure, they add. Yamai, for example, was rumoured to have *tobashi* losses long before they were officially acknowledged last week. But the SESC's move has alarmed some western bankers - and left them wondering if it hints at a backlash against both market forces and foreign banks after the shock of Yamai's collapse. "There is a tendency to blame foreigners when things go wrong in Japan," mutters one western banker, who like many has become increasingly nervous of making negative comments in public. "We may be seeing this again."

So far, at least, such fears appear premature. It is not clear what action, if any, the SESC will take. And the officials behind the SESC's investigation do not represent all opinions in the government. The Bank of Japan, for example, has carefully avoided attributing any blame to "speculators".

Indeed, some western diplomats suspect the SESC's actions were simply made to placate angry Japanese politicians and bankers after a frenzied and exhausting week. "Some officials have barely slept for days. People feel emotional," one said.

As it happens, Kokusai has been one of the luckier concerns. Its share price dipped after the rumours surfaced in October of *tobashi* deals. But it rebounded when the company denied it. And last week the share price rose, as investors flocked to buy shares in a broker considered one of Japan's most profitable and healthy.

"When a rumour comes up in the current psychological climate it can have quite a bad effect," admitted Mr Kane. "We just explain to investors that the rumours are not true - it's just traders' chat."

See Comment and Analysis  
Gillian Tett

## Sharif claim deepens crisis in Pakistan

By Farhan Bokhari in Islamabad

Pakistan's political crisis further deepened last night after Nawaz Sharif, the prime minister, accused president Farooq Leghari and the country's Supreme Court of undermining his government.

The prime minister's remarks were among the toughest made in public in almost two months of wrangling.

Many political analysts said now there was no room left for a rapprochement between the country's top leaders.

In a speech on national television, Mr Sharif criticised Mr Leghari for not co-operating with his government in passing important laws, and accused the Supreme Court for involving him in a series of cases, that had drawn him away from vital official business. "For two months now, daily life is at a standstill and the national economy is losing Rs1bn (\$26.5m) a day," he said.

The speech followed a weekend of worsening relations between the prime minister and president. On Saturday, Mr Sharif rejected Mr Leghari's call to give army protection to Supreme Court judges, after a mob of activists belonging to the ruling PML (Pakistan Muslim League) ransacked the Supreme Court building.

The attack came while a contempt of court case against Mr Sharif was being heard. He is accused of critic-

sing Justice Sajjad Ali Shah at a news conference last month.

If found guilty, Mr Sharif could be disqualified from the parliament and lose his job as prime minister.

Another case due to be heard this week, is the challenge to the 13th constitutional amendment passed by the parliament, with Mr Sharif's backing, this summer.

## Remarks show confrontation is 'at its climax'

The amendment had stripped the president of his controversial powers, used four times in the past decade, to sack elected prime ministers and the parliament. Restoration of the powers to Mr Leghari could considerably strengthen his hand.

Political analysts, however, were divided over Mr Sharif's future following last night's remarks.

Ahmed Mukhtar, secretary general of the opposition PPP (Pakistan People's party) said the speech gave "no sense on how the prime minister plans to resolve the crisis".

Ghazi Salahuddin, a leading political commentator, said the remarks had reinforced the view that the "confrontation with the president was at its climax, but said little on where events will take the country".

## Taiwan Nationalists suffer poll setback

By John Ridding in Hong Kong

Taiwan's ruling Nationalist party suffered a significant setback in local elections at the weekend, with a surprisingly heavy gain for the Democratic Progressive party (DPP), which leans towards independence from China.

The result underlined disaffection with the government, corruption scandals and deteriorating law and order ahead of next year's parliamentary elections. Although local issues were prominent, the DPP victory could also raise tensions between China and Taiwan. Beijing sees Taiwan as a renegade province and demands that it eventually be brought under mainland sovereignty. The DPP has toned down support for independence since its defeat in presidential elections last year but the party continues to advocate eventual independence.

After winning a higher share of overall votes than the Nationalists and securing 12 of the 23 contested municipalities, the DPP predicted it would break the Nationalists' 50-year hold on power. The Nationalists have controlled the presidency and parliament since they moved to Taiwan after losing the mainland to the Communists in 1949.

"We are confident that we will become a ruling party," said Chen Chung-hsin, deputy leader. "We are full of confidence that we will win next year's parliamentary election

and I think we stand a good chance in the presidential election in 2000."

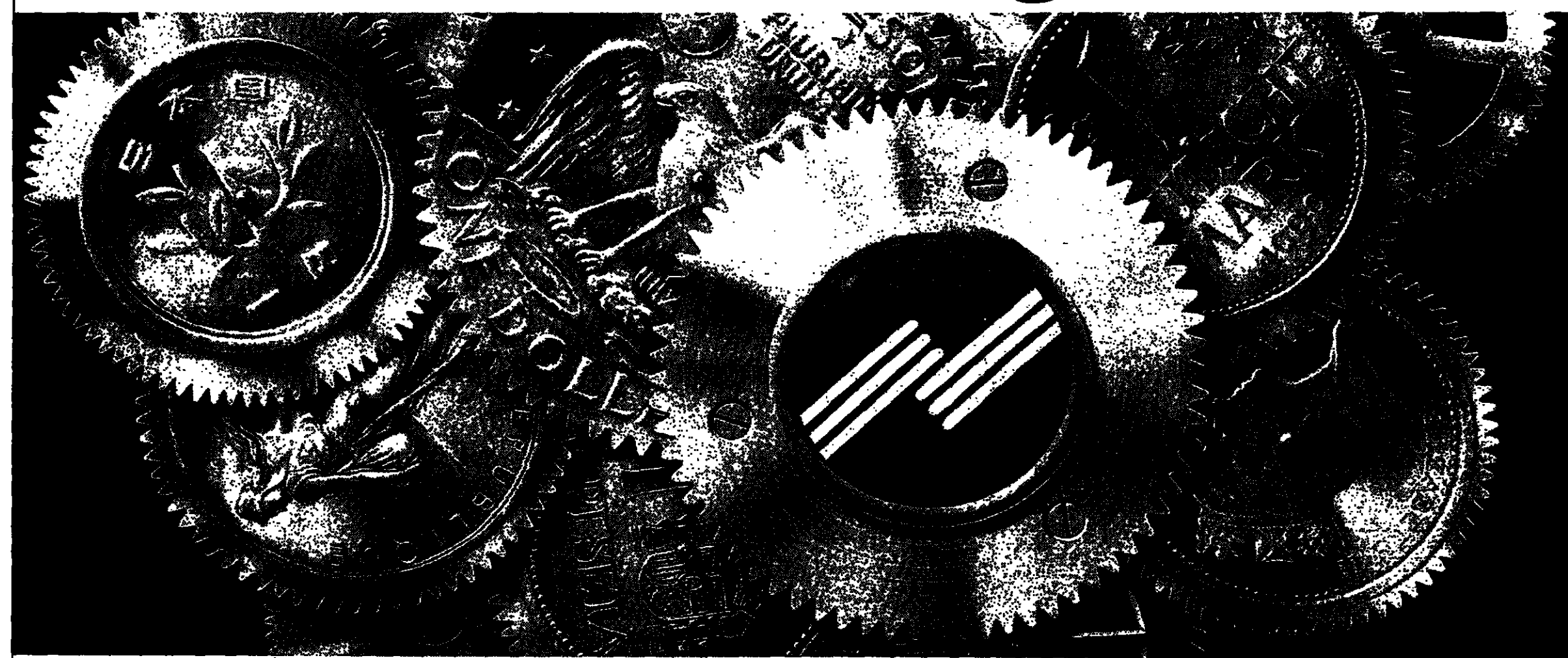
Mr Chen said the result would force China to pay attention to the DPP. "China needs to realise that the DPP is playing a more significant role in Taiwan," he said.

Most Taiwanese support the *status quo* concerning relations with China and want to avoid confrontation. As a result, DPP candidates played down the sovereignty issue during campaigning, emphasising promises of clean, efficient government. But party officials signalled yesterday that their stance remained unchanged. "We will continue pursuing the goal of turning Taiwan into an independent state," said Chiu I-jen, the DPP secretary general.

The Nationalist party, which has now lost control of large areas of local government, was stunned by the defeat. "This is a major setback for us," said Wu Poh-hsiung, party secretary general. Some Taiwanese newspapers yesterday suggested President Lee Teng-hui might have to step down from chairmanship of the Nationalist party and clear the way for a younger generation.

The Nationalists lost seven of the 15 seats they held, with the DPP gaining five and independents gaining three. The two biggest municipalities - Taipei and Kaohsiung - will be contested next year. At present, the DPP holds Taipei, while the Nationalists hold Kaohsiung.

## FIERA MILANO makes for good business



## Exhibition Calendar from January to May 1998:

<p>17-18 January XXXIII Esposizione Internazionale Cinema di Milano International Dog Show in Milan</p> <p>22-26 January Carli 1998 International Exhibition of stationery, paper and cardboard products, articles for school and fine arts</p> <p>22-26 January CIMA 1998 International Exhibition of gift articles, perfumery items, costume jewellery and smokers' supplies</p> <p>23-26 January Caltanissetta 1998 Exhibition Market of Handcraft Typical Products</p> <p>23-26 January Salotto Internazionale del Giocattolo 1998 36th International Toy Exhibition Model-Making, Hobby, Christmas Decorations, Carnival items</p>	<p>25-27 January Milano Winter 1998 International Sportswear, sports articles and camping equipment Exhibition</p> <p>6-8 February Banco di Sicilia 1998 International Exhibition of Tableware, Household and Gift items, Silverware, Goldsmith's Items, Watches</p> <p>20-22 February Mila International Exhibition of professional ornamental horticulture, equipment and accessories, applied technology and services</p> <p>February Salotto dello Studente - Campus Oris School and training courses guidance</p> <p>20-23 February Salotto Exhibition-Conference Nature and Health</p>	<p>24-26 February WLT World Investments in Tourism - Conference &amp; Exhibition</p> <p>25 February - 1st March IRE 1998 International Tourism Exchange</p> <p>25-28 February Simec 1998 Specialized computer aided technologies exhibition</p> <p>27 February - 7 March Modellismo - Modelli Miniature models Women's wear - collections</p> <p>27 February - 7 March Milano Cultural Forum Women's wear - Fall/Winter 1998/1999 Collections</p> <p>2-4 March Modelli in - Furniture &amp; Accessories Exhibition proposals for Spring/Summer 1999 clothing</p>	<p>6-8 March Cartoonica Exhibition of comic strips and cartoons</p> <p>6-8 March Salotto del Libro e della Comunicazione Exhibition of Religious Books and Communication</p> <p>6-8 March Rocca Exhibition for Places of Worship and Religious Communities</p> <p>11-13 March Promotion Expo Exhibition of promotional objects and business gift, Promotional services, Point of purchase advertising materials and objects</p> <p>13-14 March Fiducia 16th Biennial International exhibition of power transmission, drive and control equipment and engineering design</p>	<p>13-14 March Santini International clothing industry machinery and accessories show</p> <p>13-15 March Milano 73rd International leather goods Exhibition</p> <p>13-15 March Milano Fur and Leather Exhibition</p> <p>26-28 March 31st Mostra Convegno Espoconfort 1998 31st Heating, Air-Conditioning, Refrigeration, Plumbing &amp; Sanitary installations, Bathroom Fixtures, International Exhibition</p> <p>26-28 March Servizio Exhibition of services for the HVAC and sanitary installations sectors</p> <p>18-22 April Salotto Internazionale del Mobile 37th International Furniture Exhibition</p>	<p>16-21 April SalottoAccessories 12th Furnishing Accessories Exhibition</p> <p>16-21 April Servizio 19th International Lighting Exhibition</p> <p>2-6 May SalottoAccessories International antiques Exhibition</p> <p>6-8 May Graffiti Exhibition of machinery and materials for the printing, publishing and electronic publishing industry</p> <p>6-10 May Convegno Europa International Exhibition for the paper, paper converting, printing machines and materials</p> <p>8-11 May Milano Modern and Contemporary Art Fair</p>	<p>8-11 May Mila 1998 International Optics, Optometry and Ophthalmology Exhibition</p> <p>20-24 May Internazionale - Xylexpo 16th World Exhibition for Woodworking Technology</p> <p>25-24 May Small 10th International exhibition of accessories and semi-finished products for upholstered furniture and the woodworking industry</p> <p>22-26 May Furniture/Expo Market 1998 International exhibition of equipment, services and technologies for stores, trade shows and exhibitions</p> <p>29-27 May Congresso Nazionale Sime 1998 29th National Congress of the Italian Society of Medical Radiology</p>
---	--	--	---	---	---	--

DATES OF EXHIBITIONS MAY UNDERGO CHANGES

All the best of the world

Fiera Milano - Largo Domodossola, 1 - 20145 Milano - Tel. (+39.2) 4997.7179 - Fax (+39.2) 4997.7179 - Telex 331360-332221 EAFM I - <http://www.fieramilano.com>  
Representative for Great Britain, Ireland: OVERSEAS TRADE SHOW AGENCIES Ltd. - 11, Manchester Square - GB - London W1M 5AB - Tel. 0044-171-4861951 - Fax 0044-171-4873480

0044-171-4873480



## China rules out currency devaluation

By James Harding  
in Shanghai

China will not devalue its currency to boost exports, despite the recent devaluations in rival manufacturing economies in Asia which threaten to undermine the competitiveness of Chinese exporters.

Zhu Rongji, vice-premier in charge of the economy, said over the weekend that China would not adjust the value of the currency, the yuan, but might use other means to promote exports.

"In the face of the devaluation of currencies in south-east Asian countries, China will take measures to increase the competitiveness of its exports and its absorption of overseas funds," Mr Zhu was quoted as saying yesterday in the People's Daily, the official newspaper.

"It has no need of and will not resort to methods that would mean a devaluation of the yuan," he added.

Chinese exporters have been putting discreet pressure on the government for a devaluation to restore the competitive advantage they fear may have been lost to south-east Asian competitors, whose devalued currencies will cut the prices of their products on international markets.

Meanwhile, the domestic currency markets have seen pressure for an appreciation of the Chinese currency, reflecting the strong demand for the yuan in China and the view of many economists that the currency has been undervalued since an aggressive devaluation at the beginning of 1994.

China's forecast 9.5 per cent growth this year has been driven by the strong performance of the external sector and supported by the continuing growth of foreign direct investment.

However, the recent devaluations by export-oriented economies in Asia and the

unravelling of the financial systems in Japan and Korea, two of China's most important markets and inward investors, have raised concerns of a marked slowdown in export growth and a possible decline in foreign investment next year.

Mr Zhu, who is widely expected to succeed Li Peng as prime minister next year, was quoted as saying China would be able to maintain economic growth of 8 to 9 per cent per year into the early years of the next century.

He did not clarify the measures which might be taken to assist Chinese exports, but Beijing officials have recently suggested that taxes and export tariffs might be adjusted to help lift the competitiveness of exporters.

Separately, Mr Zhu has said the government would consider reintroducing preferential tax treatment on capital equipment imports for foreign companies, a move intended to reinvigorate foreign investment into China.

Mr Zhu's comment that China will not devalue the yuan reinforces the sense that the leadership's chief priority is a stable exchange rate.

In private, central bank officials have also said they are aware of concerns that a devaluation of the yuan could destabilise the Hong Kong dollar, prompting further speculative assaults on the territory's currency.

In recent weeks, there has been strong upward pressure on the Chinese yuan, which reached its highest level in over two years last week when it touched Yn8.279 to the US dollar.

China's foreign exchange market is tightly controlled by the People's Bank of China, the central bank, which has sought to keep the exchange rate within a narrow band around Yn8.3 to the dollar.

## Beijing urged to speed tariff cuts

By Guy de Jonquieres

The US and European Union will this week urge China to build on its latest diplomatic efforts to speed its admission to the World Trade Organisation by committing itself firmly to faster and deeper tariff cuts.

China outlined proposals for a new approach to its WTO application to the US last week. These have been welcomed by President Bill Clinton who told China's president Jiang Zemin they provided the basis for intensified negotiations.

Sir Leon Brittan, EU trade commissioner, called China's initiative a "major step forward", which showed real

commitment to the long-stalled membership talks. He claimed the offer was modelled on negotiating "principles" which he proposed to Beijing in October.

Western officials said China appeared to be taking

representative, had briefed Sir Leon in detail on China's latest offer, which Wu Yi, its international trade minister, gave her at a meeting in Vancouver last week.

Although the full contents of China's offer have not

### China 'must build on its efforts to join World Trade Organisation'

a more constructive stance in response to recent moves by the US and EU to close ranks in the negotiations, after a long period in which they were often openly at odds.

The officials said Charlene Barshefsky, the US trade

representative, had been disclosed, it is understood to centre on a formula which provides for a more comprehensive and systematic approach to negotiating tariff cuts on imports of industrial products.

The formula appears intended to respond to west-

ern complaints that China's previous tariff offers in the WTO talks have involved piecemeal reductions, which left many of its highest import duties intact.

EU negotiators said China's proposals could have a decisive impact on its WTO application if Beijing quickly turned them into a firm and detailed timetable for sharp reductions in tariffs on a wide range of specified imports.

The US and EU are pressing Beijing to cut tariffs on many industrial products to no more than 5 per cent by early next century and to phase out tariff-quotas on imports by fixed dates.

Negotiators said successful

completion of the talks also depended on China agreeing to accelerate removal of other important trade barriers, in particular in areas such as agriculture, services, distribution and subsidies.

China's latest proposals cover liberalisation of services. But it is still unclear whether they go beyond Beijing's services offer last month, which the US and EU have dismissed as inadequate.

The WTO working party handling China's accession request will meet in Geneva in Friday. It will be preceded by separate negotiations between Beijing and the US, the EU and other WTO members.

## New offer by US on leg-hold traps

By Neil Buckley  
in Brussels

The US has made a late offer to phase out leg-hold traps used for trapping animals within six years, which may be enough to avert a ban on US fur exports to the European Union due to take effect today.

Washington communicated the proposals - which improved an earlier offer to phase out the traps within eight years - to the European Commission late on Friday.

EU ambassadors meeting this morning are thought likely to accept it, despite the fact that it falls short of commitments from Russia and Canada to ban the traps within five years.

EU ministers had threatened to ban US exports of fur caught using the traps - worth about \$20m a year - unless the US made an offer "at least equivalent" to July's deal with Russia and Canada.

The EU has sided with animal welfare supporters who say steel-jawed traps are inhumane because they cause animals unnecessary suffering.

The US has argued, however, that trappers could be put out of business because of the lack of effective alternatives.

Washington offered in September to restrict use of the traps, but not ban them. It proposed last Wednesday banning the traps for ermine and muskrat within four years, and for other species within eight years, but this was immediately rejected by the EU.

Agreement on trapping would defuse one of several trade disputes threatening to mar the twice-yearly EU-US summit starting in Washington on Friday.

Attention may shift to resolving a row over EU rules taking effect next month on handling cattle by-products, designed to curb "mad cow" disease.

## Anti-dumping duties lifted on Korean D-Rams

By Neil Buckley in Brussels

The European Union has lifted anti-dumping duties on South Korean D-Rams, the most common type of computer chip, after manufacturers reached an industry-to-industry accord on data collection. It may do the same for Japan if a similar agreement can be reached.

Removing measures against both countries could end one of the EU's largest and longest dumping disputes, after minimum pricing undertakings were imposed on 11 Japanese manufacturers in 1990, and three South Korean groups in 1993.

D-Rams, or dynamic random access memory chips, are the basic building block for intelligent electronic devices from video recorders to PCs. The EU market is worth some Ecu5bn (\$5.7bn) a year, with Japanese and Korean manufacturers accounting for 80 per cent.

Anti-dumping measures were suspended for 21 months from 1995, after a rise in D-Ram prices. But

they were re-imposed in phases between March and June this year, after a worldwide slump in chip prices, despite complaints from EU electronic goods manufacturers that this would push up their costs.

The EU industry body - the European Electronic Component Manufacturers' Association (EECA) - began talks in July with its Korean and Japanese counterparts on an industry-to-industry accord that would allow the duties to be lifted, but swift investigation of any future dumping complaints.

EECA reached a reciprocal accord with the Korean Semiconductor Industry Association in September requiring manufacturers to collect data on cost of production and export prices.

The accord contains no minimum pricing element, and has been cleared by the European Commission's competition authorities. It is similar to a deal reached on another type of semiconductor chip, "flash" Eprons, and is seen as a model for resolving dumping disputes in other sectors.

## EU goes ahead with ban on Polish milk

By Michael Smith  
in Brussels

The European Union today implemented a ban on all imports of Polish milk and dairy products in a dispute which threatens to cast a cloud over negotiations on Poland joining the EU.

The European Commission ordered the ban after EU inspectors found a "significant hygiene and operation failure" in two of four industrial premises they visited late last month.

Until Poland satisfies EU demands on the dairy and other industrial facilities, it will be prevented from exporting milk and dairy products worth Ecu38m (\$43m) a year. European Commission officials say it could take weeks to sort out the difficulties even if Poland produced plans for upgrading the facilities immediately.

Milk is one of two trade disputes between the EU and Poland. The other is over steel. Commission officials want Poland to produce a plan for restructuring its steel industry and to implement next year a promised cut in tariffs on EU steel imports from 9 per cent to to



Jerry Buzek, Polish premier, disputed EU veterinary inspectors' findings

3 per cent. They fear the authorities are dragging their heels.

Both disputes demonstrate the problems Poland faces sorting out its industries ahead of its proposed entry into the EU early in the next century. Talks on entry are expected to start early next year.

Poland wants to join in 2001 but EU officials think it will take some years longer and that long "transition periods" will be needed to bring Polish institutions and industries into line with

those of existing EU countries. Poland's agriculture sector is seen as one of its biggest problems since more than a quarter of the country's workforce are employed in it but contribute just 10 per cent of the country's gross domestic product.

The Commission is concerned that relatively low veterinary and hygiene standards in Poland and other countries seeking EU entry will act as a barrier to the eventual creation of a single market encompassing both existing and potential EU members.

The EU allowed the sale of Polish milk to member countries on the basis of an official list of 40 agreed establishments which the Polish authorities said met European standards. The licence allowing imports from the 40 ended at midnight.

During a visit to Brussels last week, Mr Jerzy Buzek, Poland's prime minister, and colleagues, disputed EU veterinary inspectors' findings and said the quality of Polish milk was high. However, Mr Buzek said there was a will to sort the steel and milk issues and to prevent them inhibiting Poland's negotiations to join the EU.

1997: Another striking double for Rothmans Williams Renault - FIA Formula One World Constructors' Champion and Jacques Villeneuve, World Drivers' Champion. In the winning team: Frank Williams, his drivers, his engineers, his mechanics, and Digital. Our technology helped drive Williams' success. It can help drive yours. Find us at [www.europe.digital.com](http://www.europe.digital.com). And get ready to win in a networked world.





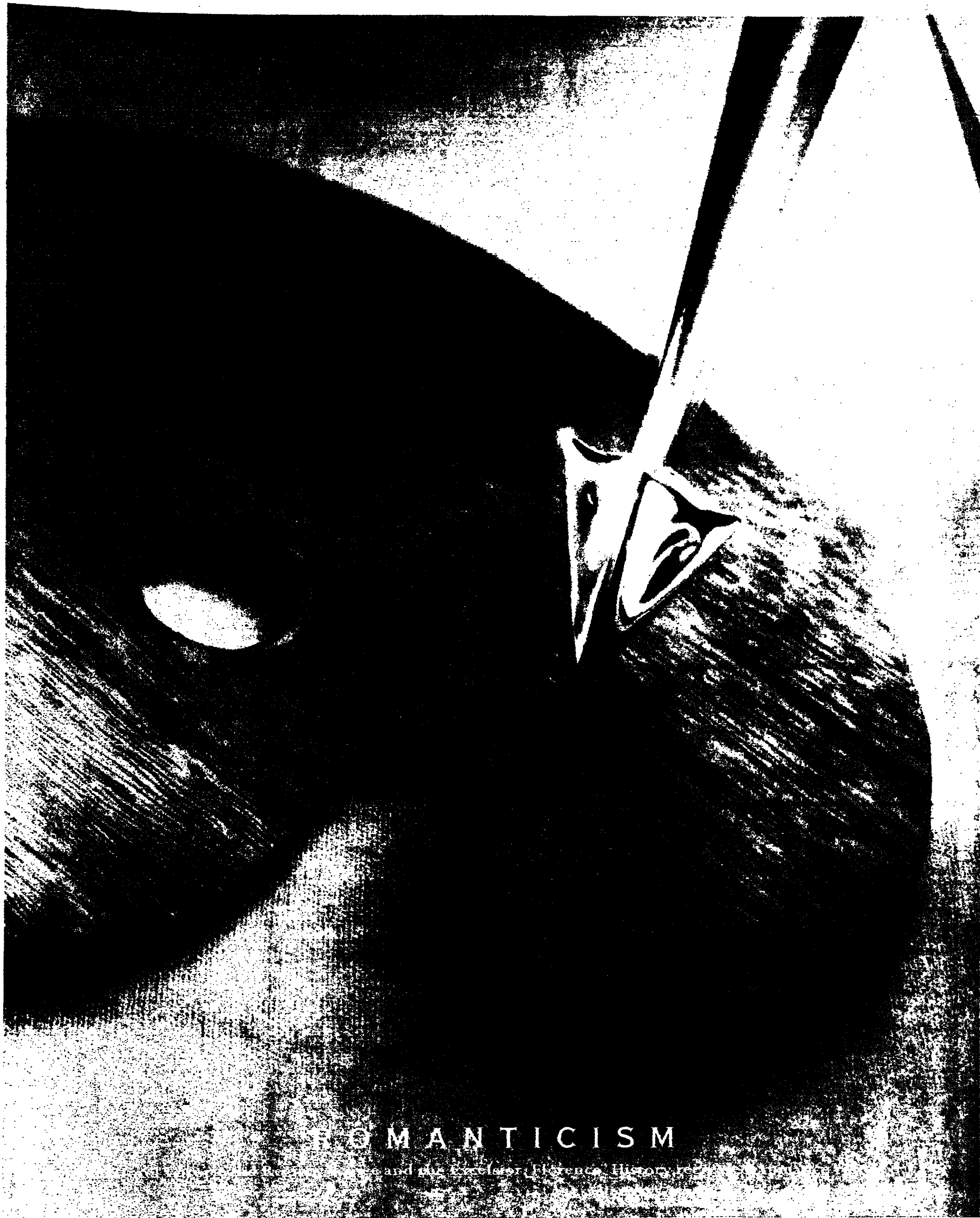
السياحة

Egyptians  
wooded to  
save  
tourism

oil

ash

TAX FREE  
OFFERS



## ROMANTICISM

and the Excelsior Florence Historic Hotel

The Hotel Europa and Regina on Venice's Grand Canal and the Excelsior in Florence, once the private home of Caroline Bonaparte, are hotels worthy of the cities they inhabit.

Famous for romance and favourite resting places for artists through the centuries, these multi-million dollar hotel restorations are in themselves living works of art.

Not surprisingly, ITT Sheraton is by far the fastest growing, most

exciting hotel group in Europe. In the past three years, we've doubled in size to 75 hotels.

But they're no ordinary hotels. Each is unique, each is special. In fact we have the largest number of luxury hotels in Europe, so wherever you travel and whatever your needs, we're sure you'll feel right at home.

State-of-the-art. ITT Sheraton always strives for the best.

So it will come as no surprise to know that we've chosen as a partner, the best telecommunications company in the world, AT&T.

Many of our rooms throughout Europe will soon be equipped with an Instant Access button that puts you through to the United States, quickly and clearly via the AT&T Direct Service (SM) network.

So wherever you are, you can get in touch with AT&T at the touch of a button.



### ITT Sheraton

Next time you're travelling in Europe, look us up in Europe's most romantic destinations.

Prince de Galles Paris - Gritti Palace Venice - Hotel Danieli Venice - Hotel Europa and Regina Venice - Hotel Excelsior Venice Lido Italy - Hotel Des Bains Venice Lido Italy - Hotel Villa Capra Asolo Italy - Hotel Excelsior Florence - Grand Hotel Florence  
Hotel Excelsior Rome - Le Grand Hotel Rome - Sheraton Rome Hotel - Hotel Cala di Volpe Costa Smeralda Sardinia - Hotel Pirella Costa Smeralda Sardinia - Hotel Romazzino Costa Smeralda Sardinia - Hotel Cervo Costa Smeralda Sardinia - Hotel Imperial Vienna  
Hotel Bristol Vienna - Hotel Goldener Hirsch Salzburg - Sheraton Salzburg Hotel - Sheraton Algarve Portugal - Palace Hotel Madrid - Hotel Alfonso XIII Seville.  
For more information, call our Global Free Phone Service on 00800 325 353535 or your travel professional. The Luxury Collection. Sheraton Hotels and Resorts. Four Points Hotels.

## NEWS: UK

## Electricity competition may face delay

By Simon Holberton

Retail electricity competition is unlikely to start on schedule on April 1 because of changes in the technical systems required to transmit data between companies, industry executives have said.

Full testing of new systems is not expected to begin until mid-January or the beginning of February, shortly before Stephen Littlechild, the electricity regulator, has to tell the government whether the April start date can be met.

The attempt to bring competition to Britain's 25m household consumers of electricity has faced problems since 1995. The competitive market depends on

Cabinet unity on the crisis facing the coal industry is coming under strain, with several members, including John Prescott, the deputy prime minister, lobbying for a more interventionist approach to save jobs, John Kampfner and Simon Holberton write.

Tony Blair, the prime minister, and Gordon Brown, the chancellor, are under pressure to produce a package

large transfers of data between companies, but there has been poor co-ordination between the companies.

John Battle, science, energy and industry minister, said in the summer that he would take responsibility for successful introduction of competition, but his efforts appear to have had little impact.

Industry executives believe retail consumers of electricity will have to wait until July next year at the earliest, but more probably until October, before the electricity companies will be ready to participate in the competitive market.

"If the companies start trials in February who, with any credibility, could make a decision on 15 February to

to avert the loss of up to 5,000 jobs in deep coal mining following the failure of RJB Mining, Britain's biggest mining group, to secure enough orders to keep its staff in work.

Colleagues say Mr Prescott has been promoting measures to oblige generators to increase coal stocks.

National Power, Britain's biggest consumer of coal, said it was already

holding coal stocks in excess of minimum requirements. It said it was "not on" for one private sector company to be required to subsidise another, and that 90 per cent of the coal it had bought for next year was British.

RJB is not expected to take any pit closure decisions until it has concluded negotiations with PowerGen, its last big power industry customer.

companies when charging for power or exchanging customer information.

That meeting reviewed 400 recommended changes to the system and agreed 90 per cent of them needed to be made. Experts say the "gaps and inconsistencies" in the first version of the design specification were much greater than thought.

Business consultants said

the changes would take a month to six weeks to incorporate into the plans of Britain's 14 public electricity suppliers. Allowing for internal testing for a month, the industry could be ready for integrated testing by the beginning of February.

Experts claim insufficient time is being allowed for rigorous testing of the systems.

Electricity companies have also refused to sign new licence conditions which

Offer says are needed.

New licences include provisions for penalties in the event an electricity company is late in joining the competitive market. Companies argue they can not sign the licences when the basic design of the competitive market is unfinished.

## Ex-chancellor 'would share Emu platform with Blair'

By Liam Halligan and John Kampfner

Kenneth Clarke, the former chancellor of the exchequer, has revealed he is willing to share a platform with Tony Blair, the prime minister, in a referendum debate in favour of a single currency.

Friends of Mr Clarke describe as "inaccurate" reports that he would join a cross-party movement supporting European economic and monetary union during a referendum campaign, expected around 2002.

But he would, say colleagues, "speak from the same platform as Mr Blair, if the proposed terms of Britain's entry into Emu were right".

Such a move which would put Mr Clarke at loggerheads with William Hague, leader of the Conservative party, and suggest Tory divisions over Europe which undermined the party at the May general election are likely to increase.

Mr Clarke has told pro-European colleagues that unless the party becomes less hostile towards Emu, it will finish third at the next election, behind the Liberal Democrats.

"His golden rule is that British elections are won on the political centre-ground," said another pro-European Tory MP.

"Ken feels that Euroscepticism will be extinct within 20 years, and possibly the Tory party with it. Ken says Hague is only becoming more Eurosceptic because he's worried about a possible leadership battle once [Michael] Portillo returns to the Commons." Senior figures in Mr Hague's team acknowledge that Mr Portillo, a leading Conservative who lost his parliamentary seat at the last election, is exerting considerable influence and bidding his time for a return.

It has also emerged that Mr Clarke, who still harbours ambitions of leading his party, has not spoken to Mr Hague since the night of the July leadership contest - when he attended Mr Hague's victory reception.

Since then, the two pivotal Tory MPs have limited themselves only to exchanging pleasantries while voting in the Commons.

Lord Parkinson, the Conservative party chairman, admitted yesterday that Mr Hague was still "finding his feet".

Many senior Conservatives blame Mr Clarke for preventing the party from campaigning on a more openly anti-Emu ticket.

Mr Hague has hardened policy, committing the Tories to oppose the single currency for the lifetime of two parliaments.

## Stephenson's Rocket set for launch in Japan

Staff at London's Science Museum prepare to pack up George Stephenson's Rocket (right), an icon of the industrial revolution, for a flight to Japan, Clive Cookson writes.

The 1829 locomotive is among 50 of the museum's most prized objects - also including Arkwright's Spinning Frame and Babbage's Calculating Engine - being sent overseas for the first time next year. They will form the scientific centrepiece of Festival UK 98, the biggest display of British science and culture ever seen in Japan.

The festival's artistic highlight will be an

exhibition, "Masterpieces of British Art from the Tate Gallery", opening next month at the Tokyo Metropolitan Art Museum.

One hundred of the Tate's finest paintings from 1600 to 1880, by artists such as Hogarth, Gainsborough, William Blake, Turner, Sargent, Whistler, Bacon and Freud, are included. Neither the Science Museum nor the Tate would normally send so many star exhibits abroad at the same time.

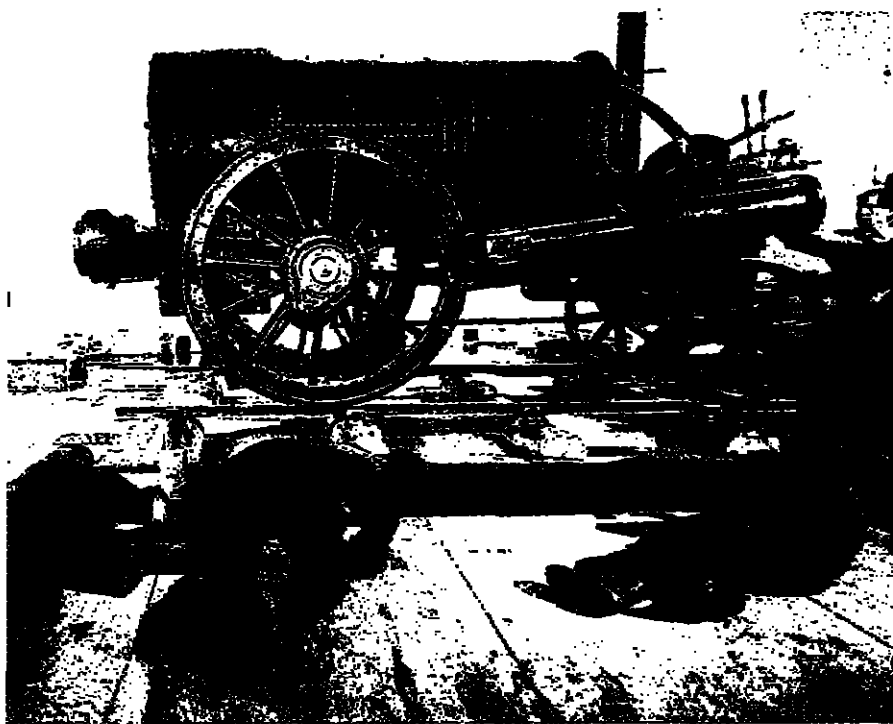
However, they are in a position to do so now because their collections are being reorganised in preparation for new displays and galleries, funded partly

by the National Lottery.

"In the ordinary course of events, it would not be regarded as acceptable to take so many seminal objects off display for a foreign loan," said Doron Swade, project director for the Science Museum's Japanese exhibition. "But, rather than put them into temporary storage, it is better to show them in Japan."

Festival UK 98 is organised jointly by the British Council and the Foreign Office through the British Embassy in Tokyo. It is funded by a wide range of commercial sponsors.

Photograph: Colin Beare



## Robot cleaner offers hope of domestic bliss

By Vanessa Houlder

The end of one of the most tedious and time-consuming of domestic chores will be heralded today when Electrolux, the Swedish household appliance manufacturer, unveils the prototype of a robot vacuum cleaner in London.

Electrolux wants to gauge consumers' reaction to the device, which uses radar to find its own way around a room, dodging furniture and walls as it cleans. The robot is unlikely to go into production for at least three years.

"We are still investigating how to translate the prototype into a robust, high-performance product. That will take some time," said Ian Symes, Electrolux group marketing director.

Electrolux believes that the product could potentially appeal to a mass market, if it can cut the cost of the product.

"People are always asking us how we can make cleaning less laborious and back-breaking. This product is so unique and offers such new opportunities that we are genuinely excited about it," said Mr Symes.

When placed on the floor, the cleaner - the size of a large cake tin - uses radar to find the nearest wall and vacuum around the edge of the room. Then it cleans the rest of the room in irregular stretches, slowing down and moving out of the way when it approaches an obstacle. If it knocks into anything, a rubber bumper absorbs the shock.

The cleaner, which can move over carpet edges and cables, is designed to extricate itself from corners and dead ends. It can also be guided by a remote control device. When it is not in use, the battery-operated cleaner is stored on a recharging device.

Electrolux acknowledges that the robot will have to be used in conjunction with a traditional vacuum cleaner when a room has to be cleaned quickly.

Electrolux estimates that it will take between three and seven years to introduce the product, depending on the pace at which it achieves the necessary technological refinements.

Electrolux already sells a commercial version of a robot cleaner in the US.

## Regions fear loss of aid as EU club expands

Pressure on assistance grants may rob some areas of their priority status

There is scarcely a hotter topic among those concerned with regional development in Britain than what will happen to European aid after 1999. Fears are rife that funds will be in short supply as the European Union tightens assistance in preparation for the entry of new members from eastern Europe.

The sums involved are massive. From 1994-1999 Britain's regions will receive £8.7bn (\$14.5bn) from EU structural funds. When UK co-funding is added, this creates total investment of £16.8bn.

The money is spent on projects ranging from education and training to infrastructure, support for small and medium-sized businesses, innovative technology and environmental protection.

The UK has three regions which qualify for objective 1, the EU's highest category for assistance. Northern Ireland is receiving £500m. Merseyside in northern England £500m and the Scottish Highlands and Islands £210m.

But Eneko Landaburu, the EU's director-general of regional policy and cohesion, has said Northern Ireland and the Highlands and Islands are likely to lose their objective 1 status in 2000-2006.

Merseyside will retain its status, and South Yorkshire

in northern England, which has suffered drastic job losses in the coal industry, is expected to qualify for the first time. But Cornwall in the south-west, which wants to be included, will be rejected because it is not large enough to be considered a region. These likely changes are based on provisional data, due to be finalised early next year.

Regions qualifying for objective 1 must have gross domestic product per head which is 75 per cent or less of the EU average. The EU Council of Ministers will make decisions over changes later in the year, and regions losing objective 1 status will have a transitional period of some years for funding to be phased out.

However, Mr Landaburu warned that the UK, along with other countries, would also be affected by plans for the new objective 2 category covering areas hit by industrial decline and urban or rural deprivation - to focus on a smaller proportion of the population.

Ironically, it was Jeff Ennis, a member of parliament from South Yorkshire, who expressed fears most graphically in the House of Commons two weeks ago. The UK faced the possibility of losing all its regional aid, he warned - a fear which now looks exaggerated.

European aid had put the South Yorkshire town of Barnsley back on the road to recovery after the loss of 14 coal pits and 20,000 mining jobs. "Brussels must not be allowed to walk away from a job that in our areas is only half done," Mr Ennis said.

David Watts, a Merseyside

MP, called on the government to fight for every area with objective 1 and 2 status. Ted Rowlands, an MP from Wales, warned that the changes would fail to take account of hidden unemployment in his region.

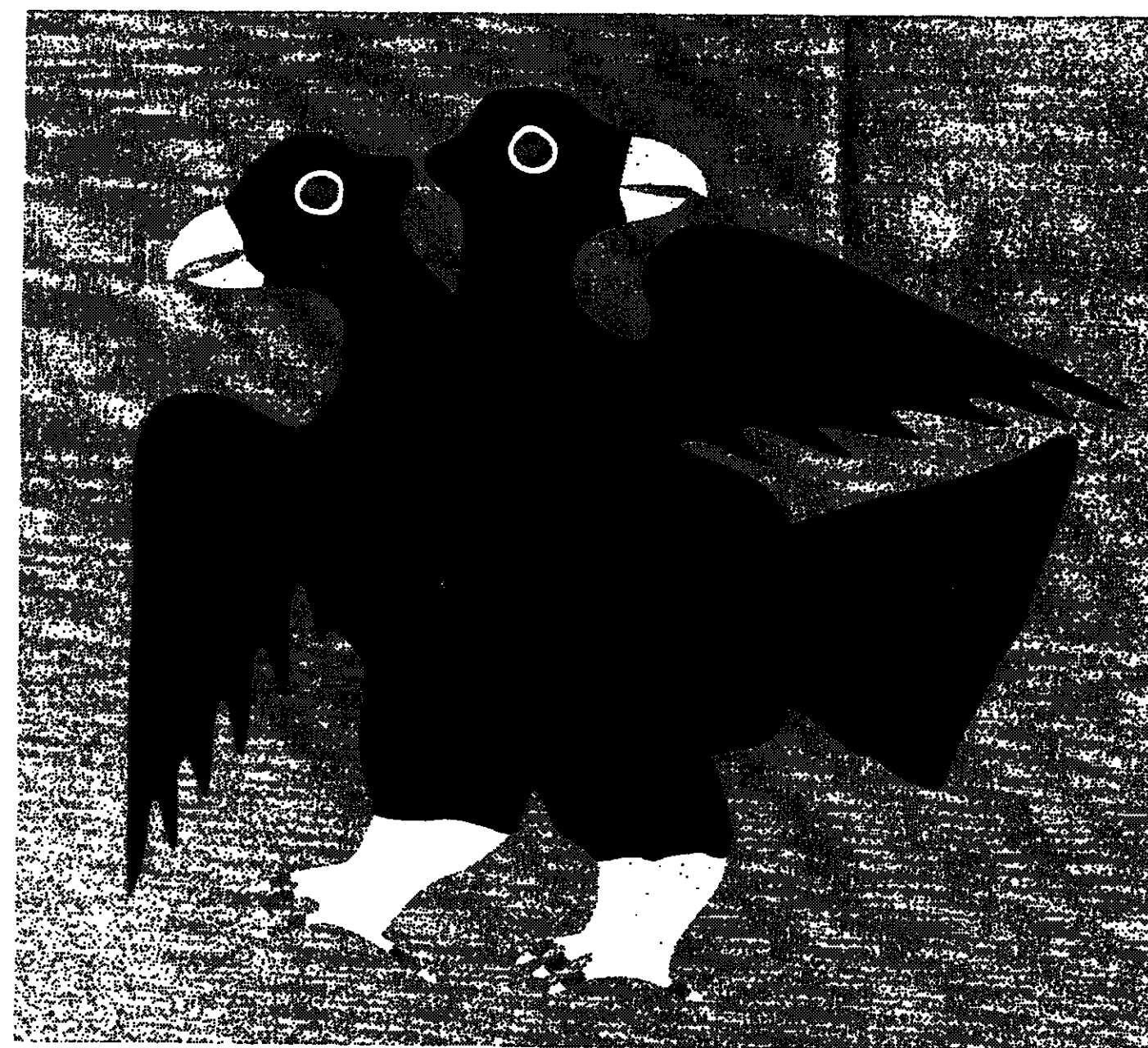
Gaining objective 1 status would cheer South Yorkshire, but other regions would remain worried, particularly about the proposed new objective 2. Under the existing objective 2, 13 declining industrial areas from western Scotland to Thanet in Kent, south-east England, are receiving £3bn, and under objective 5b, 11 rural areas are getting £550m.

The government accepts that existing EU member states will face significantly lower receipts in the next century, but believes the European Commission's proposals are not fair to Britain.

The main criteria for the new objective 2, in line with the Amsterdam treaty, will be unemployment and deprivation. Britain fears that two factors will cause it to lose out: first, that international Labour Organisation joblessness figures, which the Commission uses, leave the UK three or four points below the EU average; and second, that Britain's heaviest job losses happened back in the 1980s.

Mr Landaburu hinted at a compromise whereby global figures would be set for the percentage of population to be covered, but that precise areas would be decided in partnership with national governments, taking other factors into account.

Brian Groom



We are sub-Saharan Africa banking specialists focusing on corporate and project finance advisory services and the procurement of debt and equity funding to support your investment plans. We provide a full spectrum of treasury, trade finance, metals and risk management services.

As the international arm of the Standard Bank Group of South Africa, few can match our

An eye  
to Africa.  
A vision  
world-wide

understanding of the changing African markets and the opportunities they offer.

We are in London, New York, Hong Kong, Jersey and the Isle of Man.

If you're talking business in or out of Africa, talk to us first.

Talk to Alan Jacobson

on +44 (171) 815 3082

or Simon Morgan

on +44 (171) 815 4107

Standard Bank  
London

A member of the Standard Bank Group of South Africa

LONDON:  
Standard Bank  
London Limited  
Tel: (44 171) 815 3000  
Fax: (44 171) 815 3099

NEW YORK:  
Standard  
New York, Inc.  
Tel: (1 212) 407 5000  
Fax: (1 212) 407 5025

HONG KONG:  
Standard Bank  
(Asia) Limited  
Tel: (852) 2822 7888  
Fax: (852) 2822 7999

JOHANNESBURG:  
Standard Corporate  
and Merchant Bank  
Tel: (27 11) 636 2985  
Fax: (27 11) 636 8117



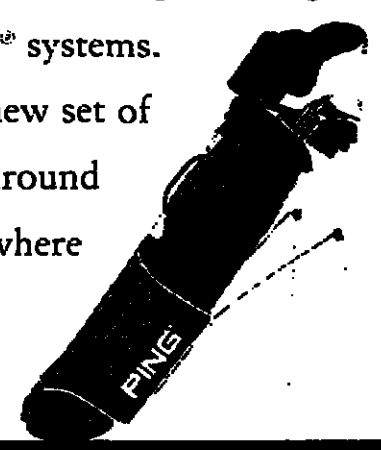
السنة ١٤١٩ هـ

# Found a sweeter spot for people to play.

It's that moment of insight when remarkable things happen.

For example, take the makers of Ping® golf equipment. Karsten Manufacturing was taking years to design a new set of Ping irons. That's twelve irons. That's one at a time. That's way too long. Then, they began developing and testing their designs on high-performance Silicon Graphics® systems.

Less than a year later, a new set of Ping clubs shipped to stores around the world. And golfers everywhere found one more thing to love about the game.



  
[www.sgi.co.uk](http://www.sgi.co.uk)

It's just one example of what people do with Silicon Graphics' systems – collaboration with better results in less time. And whether you work alone or in a group, Silicon Graphics provides you with the freedom to do things you can't with any other computers. To see new and more informative data. To look deeper within yourself for better answers.

People in practically every industry, in nearly every corner of the world use Silicon Graphics workstations and servers in manufacturing, science, government, telecom and entertainment. They are the people whose insights turn the ordinary into the extraordinary.

If you need more proof, stop by your local driving range. That little pinging you hear is the result of better clubs getting to market in half the time.

To find out more about Silicon Graphics, visit our web site or telephone 07000 SILICON (745426) quoting reference Ping.

Time: 19:24:45 pm.  
User: Kubica  
Senior Engineer, Ping Golf Clubs.



## THIS WEEK

## New meaning to blood relations

Japanese society, like many others, feeds on a never-ending diet of faddish issues. From the rise of bullying in schools to groping on subways and the rapid deterioration of young women's morals, the news of the moment is examined and dissected for months on end.

Some topics, such as Japan's ongoing financial crisis, command more attention than others. The collapse of several large financial institutions in the past month has transformed the economy into a hot topic for tabloids and afternoon television programmes.

But some issues - even ones of perennial interest - are not discussed by the media at all. One such is the popular fascination with blood types, a topic I only discovered held enormous interest for the Japanese public after six months in the country.

It was when I applied for membership at a local video store and was given a form asking for the usual information about address and identification. But there, at

the end, was a question about my blood type. Even on visits to the doctor, I have trouble remembering my blood type. I keep a medical card in my wallet stating my blood type and other details, so why bother to remember?

In Japan, many people have committed not only their own blood type to memory but that of their family members, friends and even their colleagues. But the local video store? In most western countries, such a question would probably contravene privacy regulations.

More intrigued than outraged, I approached the young man behind the counter. Why did the shop need to know my blood type before I was allowed to rent a video?

The hapless clerk was startled and confused, then clearly embarrassed. After fumbling for an explanation, he told me to

## DATELINE

**Tokyo: The popular Japanese fascination with blood types can be disquieting for a westerner, writes Gwen Robinson**

leave the space blank. "I think that question is more for Japanese people," he said.

Later a Japanese friend told me that the store probably categorised customers by blood types and the characteristics commonly ascribed to them. The cat-

egories would most likely be along the lines of "reliable," "unreliable" and "average."

The majority of Japanese are type A, regarded as honest and orderly. Type Bs are seen as erratic but creative, while type ABs - a minority in Japan - are generally regarded with suspicion. Type Os, commonly associated with westerners, are regarded as hearty, often insensitive characters.

I was interested to know whether the shop's records bore out the popular theories; whether type As always returned their videos on time and whether type Bs were always late. Perhaps ABs never returned them. But such a pained expression crossed the clerk's face that I left him alone.

Some time after the video store experience, I met a young Japanese businessman who seemed

interesting and intelligent. After perfunctory conversation, he blurted out: "What blood type are you?" Everything fell into place. I realised blood types were serious business in Japan. "I don't know," I replied, just to see his reaction.

Again, this elicited the same dumfounded look as the video clerk had given me. "You should really find out," he said. He then confessed that he had been extremely fond of his last girlfriend, but his parents had opposed the idea of marriage because - yes - she was blood type B. He, "like most Japanese," was A, he said.

It was my turn to be astounded. Up came the nightmares of social engineering. It is one thing to worry whether your intended spouse had a family history of madness or fatal disease, quite another to decide some-

one's character on the basis of blood types.

There is no scientific evidence to support such beliefs. Yet many Japanese cling stubbornly to these notions. Of course, there are many who don't, but the believers are by no means limited to older generations. At least half the young Japanese I approached when asking about the issue would laugh self-consciously, but admit that the blood types theory could not be dismissed.

Such notions are reinforced each day in Japan. Some big companies take blood types into account when they are hiring, although none would acknowledge it. There are books and an industry of experts devoted to the subject. Young girls eagerly discuss the blood type characteristics of their favourite idols.

Comparing blood types may be considered a harmless game, like

following the zodiac. But the most disturbing aspects of Japan's fascination with blood type are stories about discrimination at work and in society. Many such stories involve AEs - less than 10 per cent of the population - and who are sometimes made to feel isolated by co-workers. Worse are the stories of parents who oppose their offspring's choice of partner due to blood-type differences, or even young people themselves who stop seeing someone for the same reason.

An American women's magazine picked up on the theme last year and tried to generate a blood type fad in the US. The story was headlined: "Secret Asian Love Formula." It featured a chart and guide to the best matches. "Japanese women believe the key to romantic bliss is finding a man with a compatible blood type. Take the blood test and latch on to a man who's your perfect match!" the article said.

The fad did not take off. Most Americans probably still don't know their partner's blood type.

FT GUIDE TO:  
KYOTO SUMMIT

I hear there's a big climate change summit starting in Kyoto today. Weren't they just discussing something similar in the US? And anyway, I thought the meeting they had in Rio a few years ago was a complete flop. What's different about this one?

The gathering in Kyoto is a meeting of environmental ministers from 150 countries. Over the next 10 days, they are supposed to negotiate real cuts in industrialised countries' emissions of greenhouse gases, which are believed by most scientists to cause global warming.

But hasn't there already been such an agreement?

Sort of, but not exactly. At the Rio de Janeiro Earth Summit in 1992 to which you referred, world leaders pledged to stabilise emissions at 1990 levels by 2000. But only two countries, Germany and Britain, are on course to hit that target, albeit for reasons that have little to do with the environment. (Margaret Thatcher slashed subsidies to Britain's coal industry while Germany cut emissions by closing large chunks of inefficient industry in the former East Germany.) Apart from setting targets for 2010, rather than 2000, a Kyoto deal will be tougher than Rio because it will be legally binding. Also on the agenda will be how to enforce whatever targets are agreed. One idea is that those who don't comply should be fined. The proceeds would help fund the transfer of climate-friendly technology to developing countries.

But the only thing I seem to hear or read about Kyoto is that governments are hopelessly divided.

The differences are big, but not as large as they seem. The European Union's call for a 15 per cent cut in emissions from 1990 levels by 2010 is the most ambitious plan on the table. The US proposal that it should stabilise emissions at 1990 levels by 2010 has been attacked by the EU and developing countries as too weak. But given that US emissions are already 11 per cent above 1990 levels and would otherwise grow an estimated 14 per cent by 2010, the US target in practice amounts to a cut.

In defence of its failure to meet the 2000 target, the US says that its economy grew faster than expected, and that anyway, the Rio pledge was not mandatory. Even the majority of EU nations will not honour the 2000 target.

But given such differences, how are governments going to agree any targets, let alone legally binding ones?

Japan believes that "a bad deal is better than no deal at all". The fact that this view is shared by most governments suggests that Kyoto will eventually produce a compromise in the final three days of the 10-day gathering, when ministers

take over the negotiations from officials.

So what will they agree? The EU is likely to lose its fight for a flat-rate reduction target. Not least because it insists, somewhat hypocritically, that EU members be allowed individually tailored targets, from a 25 per cent cut for Germany to a 40 per cent increase for Portugal. Japan has also attacked the EU call for a 15 per cent reduction from 1990 levels as "unfair". Some nations, such as Japan, which has the world's lowest per capita emissions, have already done more than others to reduce energy waste. That is why Kyoto is likely to result in differentiated targets, based on how much they have done so far and how much they can do in future. Japan has proposed a basic 5 per cent cut allowing breaks for countries that have done most to reduce per capita emissions. That has a better chance of success than the EU plan.

But does that mean that the agreement will do nothing to help the climate?

No, not if the targets are strong enough to start triggering a change in the way energy is used. Even the US stabilisation target would require a big push to reduce fossil fuel waste and develop renewable energy sources. The main aim of Kyoto should be to tell industry that it must crack down on energy waste and accelerate the development of new products that reduce emissions. Because the ultimate goal is to cut emissions further by 2100, Kyoto will have to be followed by further cuts, including a commitment by developing countries to curb their emissions.

I hear the US won't agree to anything at Kyoto unless developing countries also take on some obligations. That seems like a sensible demand to make if their emissions are set to outpace industrialised nations' emissions.

Well yes, but not immediately. Developed countries, including the US, said in Berlin two years ago that they would agree to making cuts first since they were responsible for most of the fossil fuel consumption associated with the problem. They also have the wealth and the technology to curb emissions. The US changed its tune this summer when the Senate passed a resolution that it would not ratify any treaty that did not include commitments for developing countries. Because the participation of the US, which has the largest emission of greenhouse gases, is vital to the success of the Kyoto deal, negotiators will seek a form of words that commits developing countries to start discussing emission cuts at a later date. Developed countries will have two years until the treaty goes to the Senate for ratification in order to strike a deal with developing countries.

**Leyla Boulton**

## The Monday Profile: Bertrand Collomb, Lafarge

## Admirer of the American way

Mahogany is the traditional material of choice for the desks of powerful corporate executives. Bertrand Collomb's is made of concrete. This suggests the 55-year-old Lafarge chairman is happy to break with convention when the occasion demands it, while saying much about his devotion to the French building materials group he joined in 1975.

Last week was a very good week for the tall, dark, graduate of the elite *Ecole Nationale Supérieure des Mines*. Not only did he win *Le Nouvel Economiste* magazine's manager of the year award, he also won control of Redland after the struggling UK tiles and aggregates company agreed to a £1.8bn (\$3bn) takeover.

The deal marks an important step for the French company, taking it to the first time into roof tiles, an area where Mr Collomb thinks there is significant room for international expansion, and catapulting it into world leadership in aggregates.

This is a business which he believes puts particularly stringent demands on a company's operational effectiveness because there is little margin for error with a product "that only costs £3 or 4 a tonne". Furthermore, distribution costs are often as high as production costs. "So you have to look at each location and say: 'Is that right? If not, should I swap it with someone else?'"

All told, the acquisition is set to lift Lafarge's turnover by 50 per cent to about FF60bn (\$9.07bn).

In spite of the effect on gearing, which is expected to rise temporarily to about 95 per cent, Mr Collomb makes clear he intends to keep the majority of Redland's operations, with disposals expected to amount to "much less than 10 per cent" of the combined group's assets.

"With an acquisition, you look for leadership, an opportunity to create value and an attractive new building-material product," he says. "It is fairly difficult to



find all three, but we think we did with Redland."

With his impeccable English and University of Texas PhD, Mr Collomb makes no secret of his high regard for many aspects of Anglo-Saxon business culture. His outside directorships include the Canadian Imperial Bank of Commerce. He is one of the few French business leaders to list a private US address, as well as a Paris one, in his *Who's Who* entry. "I like the US approach where everything seems to be possible," he says.

He has made a name for himself in recent years as an early French exponent of the bottom line oriented management once

shunned by the country's stuffy business establishment. With this approach taking root in more and more leading French companies, under pressure from the aggressive Anglo-Saxon institutional investors that own a growing proportion of their shares, he now finds himself regarded as something of a trend-setter.

He is not an uncritical admirer of the American way, however, recognising, as he puts it, that "some of the US social issues are tough".

"When I ran the US operation," he says, "I did not like the plink-plink approach where you give someone a slip on Friday and he is gone on Monday. I would like

in Europe a society where there is more protection than in the US, but where there is efficiency of process and a recognition of the need for change."

By the same token, he maintains - contrary to popular belief in Anglo-Saxon business circles - that consolidation is perfectly possible to carry out in France, if management goes about the process in the right way. "It takes time, attention, legal care, talking to the unions, but it is something that can be done - and will be done," he says.

At the same time, he emphasises that there "will not necessarily be a lot of closures" following the Redland deal. While synergies could result from plant closures, they could also come from optimising distribution. "There will be cases probably where plants will be closed, but there are a lot of cases where you can improve the efficiency of the system without closing plants down."

On the issue that is set to dominate the business agenda in France in coming months - the Socialist-led government's push to introduce a 35-hour working week - Mr Collomb manages to sound both worried and reassuring.

On the one hand, France is at "a difficult and dangerous moment", largely because "people have understood that the government's intention is to let them work less and be paid the same".

Yet, if the scope of negotiations is wide enough, taking in areas such as more flexible working hours and France's generous social charges, he appears reasonably optimistic about negotiators' ability to "design a system" that would not be damaging for French companies.

"What has been done is very dangerous, but the worst is not yet sure. If companies can have some flexibility and the political message is a little improved, maybe we can negotiate things."

**David Owen**

## Gerard Baker • Economics Notebook

## No Dark Age of deflation

Fears of deflation stalking the world, especially the US, are overblown



The world really has been turned upside down. East Asian countries, once lauded for having perfected a miracle of high savings, stable exchange rates and a positive investment climate, now totter beneath a large current account deficits, collapsing currencies and bankrupt financial institutions.

The Japanese government, having earlier this year been so sure of the soundness of its economy that it happily inflicted a multi-billion dollar tax increase on consumers, may be considering a plan to shovel it all back out again in the form of a bail-out for incompetent bankers.

Only a few months ago, economists were worried that the world, led by the US economy, was on the brink of an inflationary overheating that would force a fierce tightening of monetary policy. Today many see prosperity threatened by a vicious spiral of falling prices, a generalised deflation.

Economists will doubtless be rationalising these somersaults by quoting John Maynard Keynes who is said to have rounded on a cynical critic, who accused him of changing tact once too often, with the remark: "When the facts change, I change my mind. What do you do?"

But facts seldom change so quickly as to provide painless validation for 180-degree shifts in intellectual direction. It generally takes a little time, even in today's much vaunted high-tech, globalised world, for light to fade into dark.

A better explanation for the

events of the past few months is that at least some of the assumptions on which earlier judgments were based were flawed.

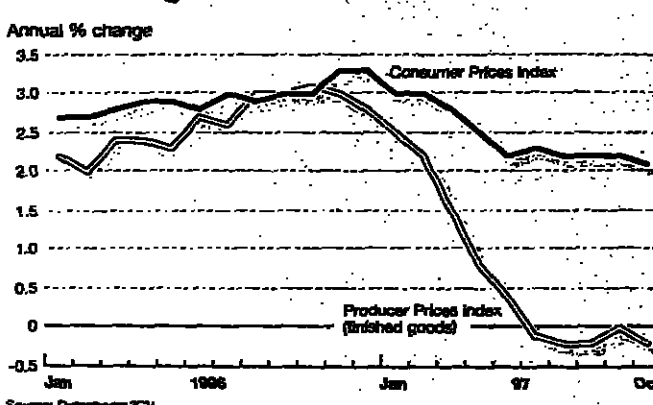
When the storm eventually blows over, economists and policymakers will doubtless look more closely and dispassionately at the Asian model and ask whether it really is worth emulating. For the time being in that part of the world, damage control is rightly the priority.

The claim that it is deflation that stalks the world, and especially the US, needs to be examined more urgently. In its most extreme form, this phenomenon would call for central banks to act immediately to head off the risk by aggressively cutting interest rates.

The argument runs like this. In the years of plenty, much of the growth almost everywhere came from a rapid expansion of investment. Capital flows into the tiger economies built factories and offices that raised capacity by almost as much as it raised output. That was true, not just in east Asia, but even in the un-tiger-like US economy. Business investment as a share of gross domestic product has grown from 9 per cent in 1982 to almost 12 per cent this year.

This rapid US and Asian capital accumulation has been depressing world prices even in these past few years of strong growth. The pressures of globalisation have also forced companies to keep prices down. At the wholesale level, the rate of price increases in the US has been falling steadily throughout the past two years of expansion. In the

## US deflating



first six months of 1997 they fell sharply, as world commodity prices stagnated.

If all this price weakness has been going on while the Asian economy - excluding Japan - has been growing at 8.9 per cent a year and the US at 4 per cent a year, what will happen to global prices if Asian and US growth rates decline to perhaps half that rate or even slower?

Some hold up the spectre of the late 19th century, when the then emerging markets of America, Argentina and Australia joined the trading economy and global commodity prices fell by more than 40 per cent in 30 years. What is to be made of this claim that a sudden grimly turn for the worse has changed immediate prospects from a New Age of inflation-free growth to a Dark Age of deflation?

Some economists argue that

the policy framework ensures that such a catastrophe could never happen. David Hale, chief global economist at the Zurich Insurance Group, pointed out to a House of Representatives committee last month that, at the end of the last century, the world was still attached to the gold standard. This limited the room for manoeuvre of policymakers in responding to sharp changes in output and prices. Now monetary policy has much greater freedom to cushion the blow.

But easier monetary policy is not a safeguard against deflation. The Bank of Japan has for more than two years held short-term interest rates to 0.5 per cent, yet for much of the last few years, prices in Japan at the wholesale and retail level have fallen.

However, there are several

good reasons for thinking deflation does not pose a serious risk. First, the Asian economies should be able to export their way out of serious crisis thanks to the large depreciations of their currencies in the last few months. The deflationary impact of cheaper imports will thus be partially offset by improving growth prospects in south-east Asia. It was after all, their efforts to hold their currencies to the powerful US dollar that produced much of the problem in the first place.

Another point to note is that global high levels of investment may not have raised capacity in the long term by very much. A great deal of the recent surge in capital spending - notably in the US, but to a lesser extent in Asia - has been in technology: equipment that has a shorter lifespan than the factories and mines that were the hallmark of investment spending in the past. US companies need to invest more just to maintain a given level of capital stock.

But perhaps the most important objection to the deflation argument lies in the strength of the US economy.

The US is still operating at levels of utilisation of both capital and labour that are building an inflationary head of steam. Wage increases are accelerating, and though prices have been weak, that is more obviously attributable to the strong dollar than overcapacity. And even if Asia slumps, the effect will be to remove some of the inflationary froth, not to produce a deflationary collapse.

FT  
FINANCIAL TIMES  
Financial Publishing

Two unique quarterly credit ratings reference sources from FT Financial Publishing, essential to all players in the international credit markets - borrowers, investors and intermediaries alike.

CREDIT RATINGS  
INTERNATIONAL

FT-Credit Ratings International provides the only comparative listing of the credit ratings assigned to around 10,000 international borrowers by the world's leading rating agencies:

- Canadian Bond Rating Service • Dominion Bond Rating Service
- Duff & Phelps • Fitch Investors Services • IBCA
- Japan Bond Research Institute • Japan Credit Rating Agency
- Moody's Investors Service • Nippon Investors Service
- Standard & Poor's • S&P • ADEF • Thomson BankWatch

In addition multiple ratings of individual issuers are aggregated into the unique FT-CRI Composite Index.

CREDIT RATINGS  
in emerging markets

This directory lists for the first time in a single source over 7,000 credit ratings assigned by 34 rating agencies - nine international and 25 local - to emerging market fixed-income securities in:

- Argentina • Bahrain • Bangladesh • Barbados • Belarus
- Bolivia • Brazil • Bulgaria • Chile • China • Colombia
- Cyprus • Czech Republic • Ecuador • Egypt • El Salvador
- Greece • Guatemala • Hong Kong • Hungary • India
- Indonesia • Israel • Jordan • Korea • Kuwait • Lebanon
- Liberia • Macao • Malaysia • Mexico • Morocco • Oman
- Pakistan • Panama • Paraguay • Peru • Philippines • Poland
- Portugal • Qatar • Romania • Russia • Saudi Arabia
- Singapore • Slovak Republic • Slovenia • South Africa
- Sri Lanka • Taiwan • Thailand • Tunisia • Turkey
- United Arab Emirates • Uruguay • Venezuela • Vietnam

For further information contact:

Marketing Department  
FT Financial Publishing,  
Maple House, 149 Tottenham Court Road,  
London W1P 9LL, UK  
Tel: +44 (0) 171 896 2316  
Fax: +44 (0) 171 896 2319



السعودية ١٣٥٥

FINANCIAL TIMES MONDAY DECEMBER 1 1997 ★

11

# Nice to meet you!

## *Sivento*

A new name and ambitious goals: SIVENTO Chemie GmbH. We will bring together in one company all the silicone and silane activities of the Hüls Group. On January 1, 1998, we'll be a separate company – market-oriented, offering faster product development and greater flexibility in meeting our customers' needs. Our aim? To further expand our No. 1 position worldwide in silanes and to grow into a global

silicone supplier. Our joint venture with the Korean company L.G. Chemicals in silicones is a big step in the right direction. Hüls AG, the chemicals subsidiary of VEBA, has given us a good foundation for growth with access to its financial resources. An array of optimized products and processes, a 1,400-strong team and a solid turnover of DM 450 million – all provide the best conditions for global success.



**Sivento**

A Hüls Group Company

## MANAGEMENT

Nikolai Bogachev, a jovial, bearded, former Soviet diplomat, spent much of the 1980s negotiating arms-for-oil swaps in the Middle East. The experience gave him a nose for oil and a taste for business which he was quick to apply when Russia began lurching towards a market economy in the early 1990s.

After mixed success running an oil trading business, Mr Bogachev realised that better prospects lay upstream. During Russia's haphazard privatisation programme, he was able to acquire a controlling stake in Khatny-Mansyskneftegazlogia (KMNGG), an oil exploration company almost as rich in reserves as syllables, which owns oil fields containing up to 3bn barrels of oil.

John Fitzgibbon, a thoughtful, clean-cut American academic-turned-businessman, first came to Russia in the early 1990s to advise the Russian government on its privatisation programme. Enticed by Russia's unique business opportunities, Mr Fitzgibbon helped set up UPC, a private, Delaware-based oil exploration and production company targeted on western Siberia.

By chance the two men met, struck a deal, and have just merged their two companies in what they believe could become a template for how to structure business ventures between Russian and western partners. They hope their joint company, Khatny Mansysk Oil Company (KMOC), will turn into a fruitful marriage of Russian assets and industrial expertise with western capital and management know-how.

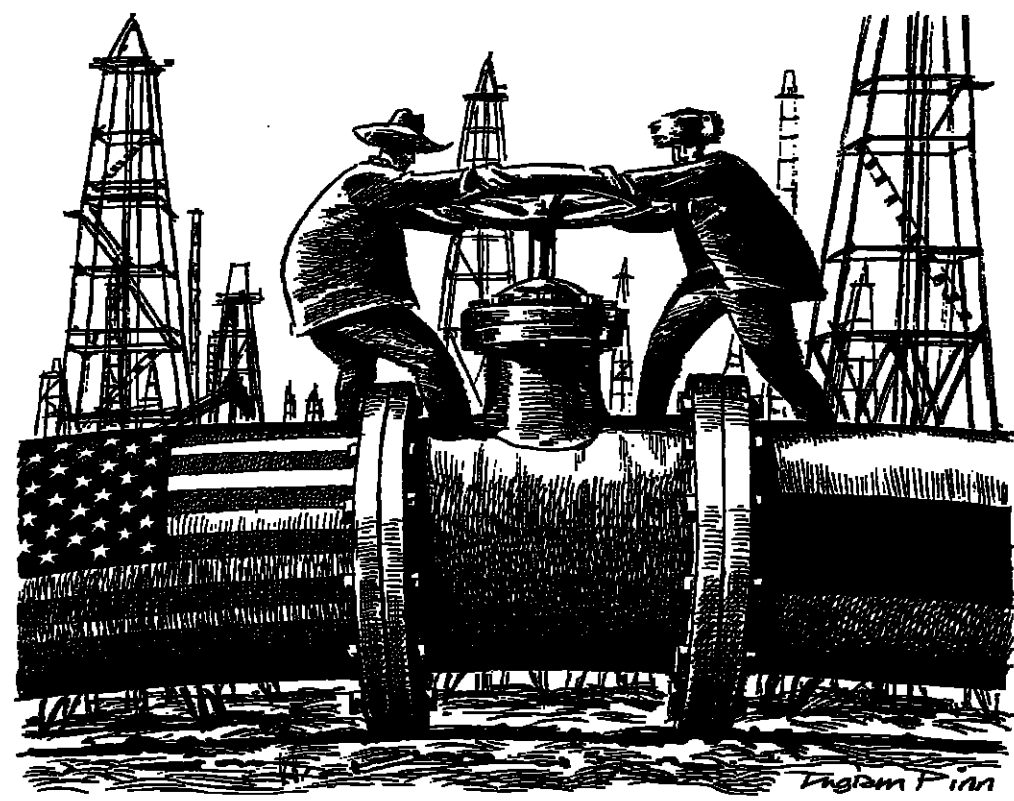
"This is a new type of company that has never existed before in Russia," says Mr Bogachev. "The interests of both partners have been aligned so that they are exactly the same - except I no longer think of ourselves as partners but the same team."

The new company will be one of Russia's largest independent exploration companies, not yet sucked into the maw of a giant vertically integrated operator. With audited accounts, a clean balance sheet, a clear management structure, and access to cheap international capital, KMOC aims to make an initial public offering within 18 months to raise additional investment finance. Longer-term, the founders have ambitions to grow the company into one of Russia's largest oil producers.

"Our objective is to build a

## Prospects for partnership

### John Thornhill on an alliance between an American and Russian in the oil industry



model that works and then we can concentrate on making it as big as possible and not vice versa, as is more common in the Russian oil sector," says Mr Fitzgibbon.

In general, foreign investors in the Russian oil sector have had a sorry time to date. Although many of the classic 50:50 joint venture deals struck in the early 1990s have been operational successes, they have invariably turned into financial disappointments. The partners have often fallen out with each other. Local tax authorities have viewed them as "milk cows". The cultural differences between the partners

prove too great.

Mr Bogachev argues that most Russian and foreign companies wishing to work together suffer from the "mermaid" problem: although both sides may be attracted to each other it is difficult to consummate their relationship.

At this point, he tells the story of a fisherman who catches a beautiful mermaid and immediately throws her back into the sea. "Why?" his friend asks. "How?" the fisherman replies.

Mr Bogachev believes that the joint venture structure has too many inbuilt strains because each partner has different priorities.

The foreign partners want ownership of reserves to bolster their balance sheets, the Russians want quick cash. Russian companies do not want to cede control, while their foreign partners are reluctant to "carry" them financially.

Moreover, a joint venture is a static structure which does not have the flexibility to grow. There is always tension about whether each partner should inject new assets into the joint venture or keep them entirely for themselves.

By contrast, UPC and KMNGG have been fused into one company in a complicated cash and

stock transaction. Technically, KMNGG has become an 86 per cent subsidiary of UPC, now renamed KMOC, which has just raised \$50m (\$23.9m) in a private placement to invest in the company.

Gerard de Geer, a Swedish businessman who founded the Moscow-based Brunswick investment bank, a big shareholder in the new company, has become chairman of KMOC and has the deciding vote at all board meetings. The western partners believed this was essential to win the trust of foreign investors. But the management of the company will remain overwhelmingly Russian.

Mr Bogachev argues that KMNGG always realised it would have to find some means of raising the substantial sums of capital it needed to realise the value of its vast reserves. "We needed money for the company to flourish and it did not matter to me whether this was foreign or Russian," Mr Bogachev says.

"We want to become a Russian major. We have a good reserve base, we will be aggressive in bidding for new tenders, and we may look to buy assets from other companies. We also now have access to cheaper foreign capital," he adds. "Everybody understands that the efficiency of our company is the most important thing."

The attractions of the deal to UPC are also clear. As one of dozens of geological exploration companies which were entrusted with discovering oil in Soviet times, KMNGG still retains many operating privileges. The company has strong ties with the local administration, favourable tax treatment, and the right to export all its production. It also has much precious data about many of the reserve basins in western Siberia, giving it an advantage when it comes to bidding for licences.

Both sides say they were impressed by the open-mindedness and cultural understanding of the other. Mr Bogachev says Mr de Geer was an extremely tough negotiator but has delivered on everything he promised in contrast to some other foreign investors who promised the world but delivered nothing.

Perhaps such a deal could only have been struck by businessmen who were not hidebound by the ways of thinking in the oil industry and had little corporate baggage in tow. It all sounds fine in theory. Now it just has to work in practice.

My Secret Weapon John Robinson: time management

### Be ruthless: decide what's important and stick to the plan



John Robinson, chairman of Smith & Nephew, began his career as a chemical engineer. He joined Smith & Nephew, the international healthcare company, 18 years ago. He became group chief executive in 1990 and chairman this year.

I learned how to delegate running my diary when I first joined Smith & Nephew. I had a very competent, experienced secretary who trained me in how to let her run my diary. You have to start off with a basic structure that lays down the pattern of formal meetings for the year. Then you need a strong understanding between the two of you about what you are going to do and not going to do. My current secretary has worked with me for seven years. We have a pretty solid understanding. She shapes the thing. I feel very strongly about not chopping and changing my plans once they have been made. It wastes people's time. If you change your diary, you often disrupt everyone else's. You can cause mayhem.

I have worked very hard on time management. You have to work out what is important. You have to be quite ruthless. One of my managing directors is pressuring me to look around his new plant. It would be interesting, but I have to ask is it a good use of my time? Can I really add any value? Some of the most successful people running businesses work very controlled hours. But when you run a global business, you cannot confine it to conventional hours. Often the only time you can be in touch with people in other parts of the world is in the evening and weekends. You can easily work 24 hours a day if you don't control it.

I do not travel as much as I used to when I was chief executive. But running a global business, there is no substitute for spending a lot of time travelling. Establishing relationships is time consuming. You cannot do it by telephone. You have to pick up feelings as well as facts. I use e-mail. I cart the equipment around with me and use it in hotels. But in general I can't be bothered with gadgets. I am interested in concepts, not in our maintenance. The key issue in this industry is technology. There is no use having the same products as everyone else, when the only way to differentiate ourselves is by selling at a lower cost. I strongly believe that we have to invest

in research. I could substantially increase the profits by cutting down the R&D programme but that would harm the business in the long run. I became convinced of this when I was chief executive of a small engineering and forging business in Sheffield before I joined Smith & Nephew 15 years ago. The engineering industry in the whole of that area suffered from gross underinvestment. A lot of these businesses went downhill.

Biotechnology is changing the face of medical technology. Having a fundamental understanding of the subject is key. It is just not enough to hire engineers and tell them to come up with new products. I have to know enough and educate myself enough to understand the issues and make judgments. I spend as much time as I can meeting people such as surgeons, doctors and our own scientists. Ten years ago, we set up an advisory council to give us an independent assessment of the quality of our scientific work.

We recruited Dr Nancy Lane, a Cambridge biologist, as a non executive director. She recruited a panel of world class scientists. As chairman, I am part of that panel. That gives me the opportunity to spend six days a year with some of the most eminent scientists in the field. It is a very valuable process. I started it with apprehension but now I don't know what I would do without it. I also spend a lot of time thinking about how to sell the product, focusing on global marketing. My view is that science is something you have to learn academically, but marketing is something you acquire by experience.

I think it is essential to have a technological background if you are running a technology business. I don't think an accountant could run a technology company. Using the same logic, I don't think I would be a good chief executive of a bank because I wouldn't understand the business.

Interview by Vanessa Houlder

## No points for loyalty in the working future

US study advocates versatility and mobility

Have you been loyal to one company for most of your working life? Well more fool you, if you have: you could find yourself unemployable should you ever need to look for another job.

This cheerful news comes from A.T. Kearney, the US-based management consultancy, in its "1998 Outlook on global business, environment and industry trends".

"The one-company, one-industry candidate is passé," it asserts. "Companies will demand that top candidates show experience not only with several employers but in several industries as well.

They want evidence that executives have the ability to operate in varied environments. Exposure in information technology is also a must."

For the sufficiently diversified few, the pickings will be rich, forecasts A.T. Kearney: "Compensation packages will continue to grow faster, and millions more will be invested in brainpower. Faced with a dearth of good candidates, companies will increase the amount of money, stock

options and perks they will use to entice the desired candidates."

Black and/or female? That could be a plus if you plan in 1998 to look for a top university position in the US. "Despite a backlash against affirmative action in some states, a growing number of university and college boards will ask for a diverse candidate slate during the selection process," it says.

Given the tough conditions

ahead, it comes as no surprise to hear that next year "more executives will abandon the corporate life to take top-level jobs at not-for-profits". These executives, it seems, "are already financially successful, but are looking for more meaningful work and balance in their lives".

Looking beyond purely personal prospects, A.T. Kearney forecasts that we will see more companies selling their manufacturing operations or shifting

them to suppliers. "This strategy increases return on capital and allows companies to concentrate on core competencies such as marketing and product development," it says.

Many companies will "get serious about outsourcing many procurement operations, just as they did with information technology". They will look for outside help to buy products and services such as travel, printing and production materials, A.T. Kearney concludes.

Diane Summers

### LEGAL NOTICES

No. 005617 of 1997

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

IN THE MATTER OF THE

NATURAL STONE PRODUCTS

LIMITED

NOTICE IS HEREBY GIVEN that a

Petition presented to Her Majesty's High Court of

Justice for the confirmation of a cancellation

of paid-up capital of the Company from

£100,000 to £250,000

AND NOTICE IS FURTHER GIVEN that

the said Petition is directed to be heard

before the Companies Court Registrar at the

Royal Courts of Justice, Strand, London,

WC2A 2LL, on 10 December 1997.

ANY creditor or shareholder of the said

Company desiring to oppose the making of

an Order for the confirmation of the said

cancellation of paid-up capital should

appear at the time of hearing in person or by

Counsel for that purpose.

A copy of the said Petition will be furnished

to any such person requiring the same by the

understandings of the said Registrar on payment of

the regulated charge for that sum.

Solicitors for the above named Company

(TS:0171 563 7777).

Ref: GPF 432/17/97

## Plenty to read but not much to learn at the business bookstall



John Kay

You arrive early at Heathrow Airport, London. You pass a few minutes in the book shop. Near the entrance there is a stand of books about business. You browse through *The Twelve Pillars of Business Success* and consider buying it. After all, if it did work, it would be great value at £12.99.

You have become part of one of the publishing phenomena of the times. It has not yet reached the heights achieved in the US where "how to" books are regularly found in the bestseller lists. But it has gone far enough to make Heathrow Airport one of the leading centres with a business book shop in the UK.

At Heathrow last week I picked up three of these business "how to's". *The Trust Effect*, by Larry Reynolds (Brealey, 1997); *Managing Transitions*, by William Bridges (Brealey, 1991, 1995) and Ron Sewell's *The Twelve Pillars of Business Success* (Kogan Page, 1996). A total investment of £36.97. The books are no better, or worse, than the genre they represent. But they are typical.

The claims the publishers make for these works are far from modest. *The Twelve Pillars of Business Success* offers a unique plan for achieving extraordinary results from ordinary people. Armed with this new-found information (this is after reading *Managing Transitions*) managers will look at future changes in a new light, no longer feeling anxious and hopeless, but rather looking for opportunities. And if you fail to harness *The Trust Effect* in order to achieve results, make your team work and drive down costs, someone else will succeed. Yet we all know that what these books have to say is as memorable as the faces of the people who sit opposite you in the airport lounge.

This gives you one clue for how to

select a business book. You will only remember a face in the lounge if it is unusual, such as someone wearing a patch over their eye. By the same principle, open a page and ask if it contains anything with which you disagree. In *The Twelve Pillars of Business Success* (p65), for example, Mr Sewell asks: "So, how do you project your organisation's philosophies, values and beliefs to everyone in your organisation?" First, we have to live

meets neither the demands of the first for rigour and generalisability nor the demands of the second for operational effectiveness.

It is like saying that you control a car by applying the right amount of acceleration. True - but it does not tell you how a car works or how to drive it. The curricula of business schools contain a large, and probably increasing, volume of material of this kind. It is created by an insistence that useful knowledge must be practical.

The would-be driver is understandably, if perhaps wrongly, impatient with instruction in the workings of the internal combustion engine. At the same time, there is an opposing pressure that demands that MBA teachers should be more rigorous than driving instructors.

These books rarely contain anything in the way of data. There is, however, a particular variety of bogus statistics that is common in business writing: "Writers Stan Davis and Jim Bolkin estimate that the world's total knowledge doubles about every seven years." (*The Trust Effect*, p170); "Research shows that only 12 per cent of decisions made in US companies are soundly researched and decided." (*The Twelve Pillars of Business Success*, p157.)

These remarks have an apparent precision, which gives them an air of scientific respectability - our stock of knowledge doubles every seven years, rather than every five or every 10, and it is 12 per cent, rather than a small proportion, of manage-

ment decisions that are well considered. But how could you ever design a serious project to measure the stock of knowledge, or the proportion of decisions that were soundly researched?

But if there is a shortage of data, there is certainly no shortage of anecdote. All of the books contain many sentences beginning "when I took over as CEO of the ABC corporation, he...". Nor is there any shortage of opinion. The views of management gurus have a singular authority, but the greatest weight is attached to the opinions of revered business leaders. Jack Welch, chairman of General Electric; Percy Barnevis, chairman of ABB; and Bill Gates, chairman of Microsoft, are particularly celebrated. And even if he and his organisation have moved on, Jan Carlzon of SAS is still much honoured as well.

Every banality they utter is seized like crumbs from the rich man's table. Poor Mr Welch might properly be cited as co-author of many of the books, so often is he referred to - and entirely admirably. The only error these titans ever make is sometimes being slow in perceiving the truth. "Give your people every chance to identify with their business. Their enthusiasm is your most valuable asset," Mr Welch believes. (*The Twelve Pillars of Business Success*, p185). True enough, but is it any more credible because Mr Welch thinks so?

But if these books do little good, perhaps they also do little harm. If I have one concern, it is that they are the equivalent of junk food, which fills you up while offering no pleasure and no nutrition.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

Prices for solicitors determined for the purposes of the solicitors' fees in England and Wales				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				
Fixed fee for hourly				



## MARKETING AND MEDIA

# Angling for a bigger catch

The new chief intends to emphasise the British in BSkyB, says John Gapper

As Mark Booth describes the 40cm satellite dish that British Sky Broadcasting will sell next spring to British consumers to receive 200 digital television channels, he holds his hands apart like a fisherman describing his latest catch. "It's about like that," says BSkyB's chief executive. "I tell you what I'll do. I'll photocopy one and send it to you."

It is unusual for the chief executive of a FTSE 100 company to market his product by copying and pasting it. Yet 40-year-old Mr Booth, an American who started his pay television career at MTV Networks, has an unusual task. He must reignite the growth of BSkyB in its current form, and prepare the way for the unknown territory of digital broadcasting.

BSkyB's investors have misgivings about both. The company's shares have fallen sharply this year as investors have focused on the slowing in subscriber growth, and the huge costs and unknown returns of digital. The company's pre-tax profits are expected to drop slightly this year as a result of a \$200m investment in digital technology, including more satellite capacity.

Mr Booth also has a hard act to follow in Sam Chisholm, the hard-driving New Zealander who turned BSkyB into one of the world's most successful pay television outfits by signing up crucial sports and film rights. He persuaded 27 per cent of UK homes to take the service primarily by ensuring that Sky Sports was the only network to carry live Premier League football.

In the young world of pay television, Mr Booth has about as much experience as possible. As well as MTV in America and Europe, he has worked for Rupert Murdoch

at FoxTel in Australia, and JSkyB in Japan. Compared with Mr Chisholm, he cuts a quieter, more reflective figure, despite a reputation for managing toughly and briskly when required.

Gerry Robinson, BSkyB's chairman, says Mr Booth works differently from the "intuitive" Mr Chisholm, and has already shown a propensity to question and reassess fundamental aspects of its strategy. "They are really very opposite characters, and I do not think that is a bad thing. Mark's approach tends to be more logical and thoughtful," he says.

There are signs that BSkyB is approaching the limits of Mr Chisholm's approach. Growth in subscribers who sign up to have a satellite dish on the side of their homes is slowing, while cable companies that

"We haven't talked to at least half the population of this country for many years," he says

carry its channels are becoming increasingly rebellious. Several are trying to sell subscribers a handful of channels, rather than the Sky Multichannels package.

Mr Chisholm's crucial success was to ensure that Sky subscribers had to "buy through" the 30 channels of the Multichannels package to gain the premium film and sports channels. The company did not have to persuade consumers of the virtues of its basic service. Indeed, BSkyB's recent marketing has emphasised its sports content to the exclusion of other channels.

For Mr Booth, that means BSkyB has been missing a trick. He emphasises that

sport and films will remain a crucial element but says there are other aspects of its service that have almost been ignored. "I think it is fair to say that we haven't talked to at least half the population of this country for many years," he says.

One of his first acts on taking over as chief executive was to commission some market research into how Sky was perceived. The answer was that it was regarded both as expensive, and as offering a service of limited appeal to anyone who was not sports-mad. Its Sky One entertainment channel was mentioned by only 13 per cent of people asked to name channels.

"We have not talked to people who are non-sports fans, or even more specifically non-football fans. I don't think it is surprising that the growth rate has been slowing down for the past couple of years," he says. "The most important thing is to expand our penetration rate, rather than focus on getting as much money out of our current subscribers as possible."

For Mr Booth, the least charted territory is female. "If you are a mother concerned about your kids watching too much television, some would argue that getting Sky is not a benefit - it is just more of the same. But in reality we have networks that are terrific for kids. There are some hidden jewels in our vaults, but people won't buy them unless they know," he says.

BSkyB's research indicates few people realise they can get 30 channels for £11.99 a month, although he acknowledges it has partly brought this problem on itself by aggressive selling of premium packages.

His target is to emulate US penetration rates for cable television, which have risen



from about 30 per cent in urban areas to 70 per cent. Yet it is unlikely that this can be achieved without changes to BSkyB's mix of programming. The lack of clear identity for its Sky One channel is partly a product of the small sum invested in UK programming, compared with the BBC or ITV.

While the ITV network spends £200m a year on programmes, BSkyB spent only £40m on Sky One last year, of which £12m went on original programming. Under Elisabeth Murdoch, BSkyB general manager, there are plans to raise this amount. Mr Booth wants to invest in British made-for-television films with budgets of between £1m and £5m.

"When you watch Sky One, it tells you we have gone around the world to acquire programmes but it does not say we are British, or we know who you are," says Mr Booth. But there will be limits to BSkyB's investment, given its rise in costs due to digital. "The reality is that Sky One is still a modest network, and

we're going to have to do this incrementally," he says.

The investment is at least partly defensive. Until now, British consumers have only been able to receive multi-channel television with cable or satellite. From next autumn, a 30-channel digital service will be offered on the terrestrial spectrum. About 15 of the channels - including Sky Sports and Sky One - will be offered to subscribers by the British Digital Broadcasting group.

BDB will offer a service more distinctively British than BSkyB's, although it will have far less capacity. Mr Booth must hope that the sheer bandwidth available to BSkyB - for example, the ability to devote 60 channels to showing pay-per-view films at staggered start times - will be enough to outgun a BDB service heavily marketed to middle England.

"We seem BDB encumbered by having the cost of digital, but delivering analogue capacity," says Mr Booth. He argues that BSkyB's satellite platform

will for the first time gain its own appeal, rather than simply being a means of seeing Sky Channels. The delivery method will matter, because digital satellite will offer film and interactive services unavailable elsewhere.

He is introducing an internal split between production and broadcasting, so that managers of channels such as Sky One concentrate on acquiring rights and building brands, while those in charge of the Sky satellite platform concentrate on attracting subscribers and advertisers. "The skill sets are very different, and they have been blended in the past," he says.

Yet Mr Booth sees digital as providing more than capacity to deliver choice. He believes it can use its smaller 30cm dish to renew its image as a high-tech, innovative and, above all, British company. "There is a small percentage of people who will not put a dish on their house no matter what we do. That is OK. There are enough households out there that will."

Personal View • Chris Powell

## How can we curb political big spenders?

Hard to close all avenues in cutting campaign advertising

&

If the Conservative party had not spent so much on advertising in the last general election, most people would probably never have heard of Bernie Ecclestone, the head of Formula One who donated £1m to the Labour party which wants to exempt the sport from a ban on tobacco sponsorship.

In May 1996, a year before the election, it was revealed that the then government planned to spend £12m on the election campaign (in the event it spent £13m). Labour, which had budgeted on less than £2m, was forced to revise its planned spending upwards.

Spending at these unprecedented levels means new sources of funds have to be found. This leads to the complications of donors and their relations with government. Such drawn-out electoral battles irritate and bore the voters in equal measure.

How straightforward would it be to limit political spending on advertising? It is already tightly limited by law, but, bizarrely, only in the constituencies. There is no limit nationally.

It would be easy to limit what political parties spend on advertising during election campaigns, but should the limitation be extended to a period before the election proper starts? The parties see the run-up to the election as more fertile territory for advertising than the official campaign period. About two-thirds of the Conservative party's advertising funds in 1996-97 were spent before the election was declared.

Since many of the real battles are fought in the year before a formal campaign, the author is chief executive of BAP DDB.

## Ericsson calling James Bond

Mobile phone company to launch campaign with help of 007

This week, a \$30m-plus (£17.7m) global advertising and marketing campaign for Ericsson, the Swedish mobile phone company, will break, simultaneously, in 60 countries. The campaign, which promotes the latest Bond movie *Tomorrow Never Dies* - on general release in two weeks - marks one of the biggest "product placement deals" struck by the film industry.

Much of the advertising - headlined "Ericsson Made/Bond Approved" - will show Piers Brosnan, who plays James Bond, clutching an Ericsson mobile phone to his ear, rather than the traditional hand-gun. The deal revolves around a specially designed "concept phone" created by Ericsson for the film: the phone can steer a car, break open a safe, scan fingerprints, take photographs and even stun baddies. It also makes the odd phone call.

Ericsson hopes that its association with the Bond industry will help sales. Next year, it plans to launch a phone with fax and modem technology.

UIP, the film distributor, says *Tomorrow Never Dies* will do even better than *GoldenEye*, the last Bond film, which surpassed expectations by grossing \$350m at the box office.

The product-placement deal was masterminded by Young & Rubicam, the US-owned ad agency which numbers both Ericsson and UIP among its worldwide clients.

In the middle of last year, Y & R was asked by UIP to find a company whose product would be appropriate for the Bond story line and which would be willing to help fund the worldwide publicity campaign. The hand-held concept phone, which continues the Bond love affair with hi-tech products, was specifically written into the script once the Ericsson deal was finalised.

While the link-up gives UIP a hefty injection of marketing money to help promote its latest release, Ericsson itself gains a valuable platform on which to market its products and hammer home its name in a crowded marketplace.

According to Ed Sharp, worldwide account managing director for Y & R, the Ericsson name is "enormous" in a couple of the film's car-chase sequences. But, he says, the product placement stops short of being either repetitive or too intrusive. Other manufacturers plugged in the film include Avis car rentals, Smirnoff Vodka and Omega watches, with which Brosnan has a private deal. In previous films, 007 has worn a custom-made Rolex with the capacity to slit throats.

Mr Sharp says: "It's probably fair to say that until now, Ericsson has had a slightly anonymous feel about it, despite being one of the world's top three mobile communications giants. We believe the link-up with Bond, whose appeal to film audiences is virtually unrivalled in the contemporary cinema field, will make Ericsson big, famous and sexy across all its key markets."

Virginia Matthews

Tim Jackson • On the Web

## Pirates expelled from domains



It all began with Josh Quittner, the US technology journalist who wrote a magazine story about corporate America's inattention to the importance of domain names on the internet. In a perfect illustration of his point, Quittner registered the domain name *mcDonalds.com* after the hamburger chain of the same name expressed no interest in the internet. When McDonalds later came to its senses, Quittner asked it to make a donation to charity in return for use of the domain name that he had registered. During the past year or so, Quittner's lead has been followed by a mini-industry of pirates, trying to make money by registering domains incorporating the names of prominent businesses and then offering those domains for sale to the highest bidder.

Two factors created this piracy industry. One was the initial ignorance of the internet inside blue-chip companies. The other factor behind the piracy was the lack of

case law. Corporate ignorance of the internet is being speedily corrected. The legal issue is being resolved swiftly too.

There have already been several cases in the US in which the courts have taken a dim view of defendants who registered domains with no apparent purpose other than to sell them to the owner of a similar trademark. But outside the US, the issue has been cloudier. Lacking the doctrine of trademark "dilution", plaintiffs have often had to show either that the use of the domain name would have created confusion or that its owners intended to "pass off" their products or services as those of the trademark owner.

Last Friday, however, a judge at the High Court in London handed down a judgment in favour of five well-known companies - British Telecommunications, Marks and Spencer, Ladbrokes, J. Sainsbury and Virgin Enterprises - which had sued two businessmen who had registered a list of provocative domain names in the US.

Even though most of the

registered domain names had never been put to use, and the defendants had never published web pages improperly claiming any links to the owners of the trademarks, the judge nevertheless handed down a speedy summary judgment in favour of the plaintiffs, with an order for more than \$100,000 (£50,000) of costs.

The result is clear. Now that the likelihood of successfully extorting money from trademark owners seems so low, domain-name piracy is unlikely to be worth the candle.

It may be tempting to regret the growing professionalisation of the internet of which this is a symptom. The Wild West days in which the internet as a whole was an unregulated frontier, and people with more initiative than principles could make quick fortunes, are ending.

But the confusion over domain names is unresolved. Even as the courts clarify their view of the matter, a new set of global domains are set to appear, using such suffixes as *.store*, *.firm*, *.info* and so on.

The new GTLDs, as they

are called, will open up new legal fronts for companies to fight on, as most large businesses will find themselves fitting two or more categories, and wanting to control multiple domain names.

Cases in future are more likely to be between two businesses, each of which owns a trademark. Although the new GTLD proposals have been accompanied by an interesting idea for an online dispute resolution process - a fascinating precedent in the high-speed creation of an international court - the disputes are certain to be expensive and messy unless a clear enforcement procedure is in place.

"You'll have to go to where the defendants are, and sue in the local courts there," says Dinah Misen, a partner at Harbottle & Lewis who represented one of the plaintiffs in Friday's case.

Even though the courts may have put the trademark pirates out of business, the issue of domain names will continue to offer rich pickings for lawyers for many years to come.

tim.jackson@pobox.com

## FTid - The Internet Directory

The following companies want you to know that you can find out more about them by simply looking them up on the World Wide Web.

All of these can be accessed via hyperlink directly from the Financial Times at <http://www.ft.com>

Ideas that wowwork.

Strategic Bank, Finance Europe, B2C, Options, etc.

Visit our Web site, or call!

PENTACOM

<http://www.pentacom.com>

TOP JOBS ON THE NET

[www.topjobs.net](http://www.topjobs.net)

Europe's most visited web site for management, professional and technical positions.

FOREX

Live FX Rates/ Audio/ Datafeed

World business news from Financial Times Television. 24 hour live commentary and FOREX analysis provided by Tullett & Tokyo

FT Television

Read it at: [www.ft-television.com](http://www.ft-television.com) (or [www.tullett.co.uk](http://www.tullett.co.uk))

FREE Journal Trial: Straight Through Processing

<http://www.gfi-id.com/stp>

For a FREE sample copy Tel: +44 (0) 171 475 7020 Trade Confirmation/Subscription Indication

Databases, Reconciliation, Systems Integration, and much more!

www.machineryworld.com

Everything on machinery and components. Who makes what. Agents/Distributors/Manufacturers. World. A-Z. Browsing. E-Books. Products. Check the data on your company and products. Only manufacturers listed.

FREE REGISTRATION

Holiday Inn

EXECUTIVE EXTRAVAGANZA!

<http://www.holiday-inn.com>

or E-mail us at [xxhiw@csi.compuserve.com](mailto:xxhiw@csi.compuserve.com)

Tenders on the web

An electronic database of public contracts worldwide.

[www.tenders.co.uk](http://www.tenders.co.uk)

Telephone +44 (0) 171 267 8889

## International Internet Name Registration

net names

Have you registered your company, trade and product names around the world? 300,000+ names are already registered, are yours? Protect Yourself. Register Now

FREEPHONE 0800 269049 [netnames@netnames.co.uk](mailto:netnames@netnames.co.uk)

Clear, Clean Faxes Managed Throughout Your Company

Faxing = Time = Money

VSI Fax software from UniDirect can literally save thousands in communication costs to your company.

Visit <http://www.unidirect.co.uk/ft> or call us on +44 (0) 1788 552005

UniDirect Ltd

30 STOCK MARKET REPORTS from POLAND TO PERU INVESTORS' JOURNAL

<http://www.ij.co.uk>

E.P.I.C. Enterprises People Internet Consultants

WE'LL DESIGN & LAUNCH YOUR COMPANY'S PRESENCE ON THE INTERNET

Tel: +44 (0) 1793 784227

[epic@satellitelink.com](mailto:epic@satellitelink.com)

Get on line with an E.P.I.C. website <http://www.satellitelink.com/epic>

FREE Journal Trial: Straight Through Processing

<http://www.gfi-id.com/stp>

For a FREE sample copy Tel: +44 (0) 171 475 7020 Trade Confirmation/Subscription Indication

Databases, Reconciliation, Systems Integration, and much more!

EarthCouncil Organisation "ECO" a free cyberspace commonwealth

Brains, courage and dedication needed to make this 21st century community a reality.

You are invited to join blue print discussion forums on structural legal, financial and social issues on <http://www.eco.co.za>

GAM

For information on GAM's unit trusts and unit funds see <http://www.gam.co.uk> Email address [info@gam.com](mailto:info@gam.com) Tel: +44 1624 632 777

MARLON WEDDERBURN on 0171 873 4874

Every week on a Monday the FT gives you the chance to advertise your internet site to the FT's influential readers in 160 countries worldwide.

In addition all advertisements also appear on FT.Com - the FT's internet site. As part of the package we give you a unique opportunity to attract our readers to your internet site through a live hyperlink.

The number of registered users accessing FT.Com is running at 500,000 and is growing by 1,100 a day. For advertising rates and further details. Please call



## BUSINESS EDUCATION

## Mastering market methods

The auction for course places has gone high-tech, writes Della Bradshaw

A rbitrage and secondary markets are usually associated with the financial sector. But at the Wharton school at the University of Pennsylvania, students are mastering their principles to "buy" courses.

The problem for all business schools is how to allocate places on the most popular courses, which are often oversubscribed. Wharton, like others, introduced a bidding system some time ago, in which students are given points to buy courses. But this year the bidding is online, over Wharton's computer network.

Each semester every student is given 1,000 points which can be added to points accrued previously. (There are two semesters a year.) They then place bids for the four or five classes they want to study on their chosen courses' web site. Places are allocated to the highest bidders.

Then the fun begins. Allocated places can be sold on for a points profit. "Some speculative entrepreneurs buy courses they don't want in the first round in the hope that the price goes up," says Gerry McCartney, chief information officer at Wharton.

There are 10 bidding rounds with 1,500 students concluding in 1,500 transactions in total. Mr McCartney points out that most elective courses - 86 per cent in this autumn's bidding round - have spare places: only the top 14 per cent have competition.

The system has obvious advantages for the academic services department, says Jasja Desmedt, a student on the Lauder MBA programme at Wharton. "They get instant information on which

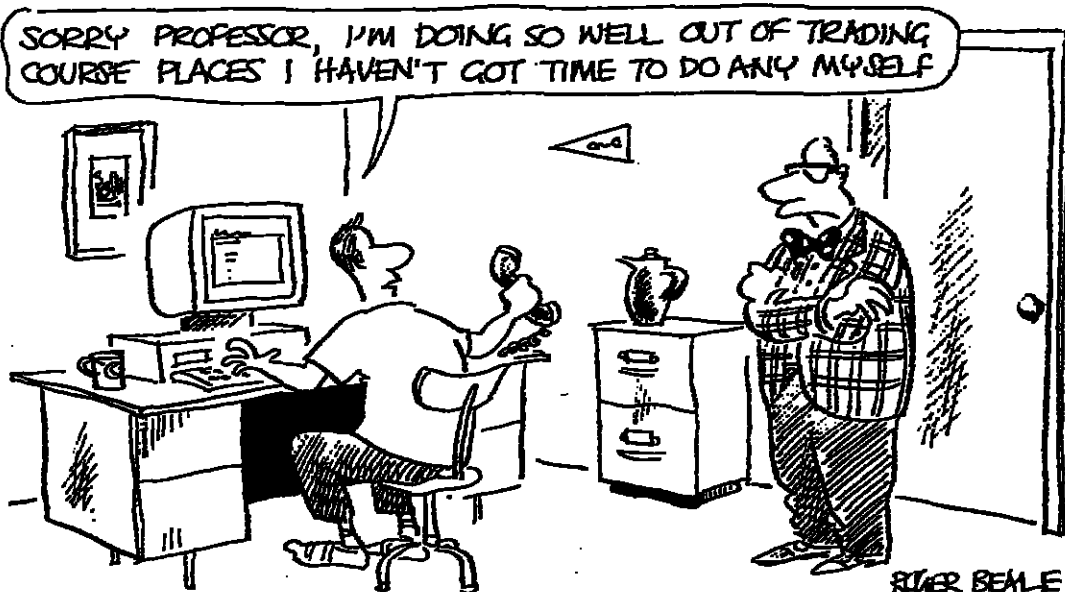
courses are the most popular." At the moment, say insiders, the most popular course is on negotiations: at its peak, it was changing hands for 4,500 points.

The free market system has also been adopted by the career development department to enable students to bid over the network for interview slots with potential employers. Again each student is given 1,000 points and can bid for as many, or as few, interview slots as they like.

The result has been a huge saving in time, especially as many students can bid from their laptops in their apartments, says Kurt Didier, a second year MBA student. "It makes the process of getting the interview much easier. You can do it all from your computer which frees up time to concentrate on other things when you are on campus."

Popular as it is, the career development system will soon be upgraded to enable participants to buy and sell interview slots to the same extent as they can courses, says Mr McCartney. "The more rounds there are to buy and sell, the fairer the system is."

The bidding system is just one element of the computer network set up at Wharton to enable students to get more relevant information. The latest system enables them to set up their laptops to automatically receive only information relevant to them. The next version of the software, Spike 4, code-named "the voyage home" will enable all 65,000 Wharton alumni to access data from the school. As Mr Didier puts it: "From your application to death you will be able to do everything online."



## Wharton manages to cash in on data

Financial data is the bread and butter of business school research. Every US business school worth its salt is licensed to use financial information - company accounts, say, or closing share prices - published by outside agencies. But some schools manage the data better than others.

At Wharton, the information technology team is selling its expertise on to other business schools. Two, Stanford University and the University of Southern California, have already signed up to access the managed data over the internet from Wharton's Philadel-

phia site. (They already have licences with the data supply companies to use the raw data.)

A further eight or nine business schools are looking at the software. Thomas Gerrity, dean of Wharton, believes such partnerships are the future for business schools that want to stay ahead of the pack. The relationships are similar to those between Harvard and its customers for case studies, says Gerry McCartney, Wharton's chief information officer.

"We all buy cases from Harvard. We don't feel we need to write our own: they're the best at it. We'd

like to be seen as specialists in research computing."

The big issue, says Mr McCartney, is that many schools simply do not have the resources to manage the data the way Wharton does: it has three IT team members working full-time on the project.

Although Wharton is presenting the data to partner schools in the same way as it is to its own faculty, it will retain an advantage, according to Mr McCartney. "Wharton will always have a home advantage. All the people are here and the machines are here: this is where the work is done."

## NEWS FROM CAMPUS

## 125 and still in business

Groupe ESC Lyon, one of France's leading business schools and one of the oldest in Europe, is celebrating the 125th anniversary of its founding in 1872 tomorrow.

Groupe ESC Lyon is affiliated to the Lyon Chamber of Commerce and has strong links with European industry. It runs both a full-time and part-time MBA programme.

Groupe ESC Lyon, France, 4 78 33 78 00

## Immersion pays off

Following its successful immersion programme in manufacturing, Cornell University's Johnson graduate school of management is to introduce an immersion programme in brand management from next spring.

The immersion scheme means students on the MBA programme spend a semester (the equivalent of five ordinary courses) studying one topic. The new programme will start by looking at the production and manufacturing of brand products.

Cornell: [www.gsm.cornell.edu/cso/](http://www.gsm.cornell.edu/cso/)

## Emu planning for companies

Companies perplexed about how to deal with European monetary union can take advantage of a consultancy project run by IES, the International graduate school of management at the University of Navarra, in Barcelona.

Selected participants from the school's MBA

programme are spending three months under the watchful eyes of their professors running the Euro course and then working with companies to develop a plan for them. IES believes non-European companies are most likely to be caught out by the introduction of the Euro in 1999.

IES: [www.ies.es/](http://www.ies.es/)

## 3i backs Insead venturelab

UK Venture capital group 3i has got together with Insead, in Fontainebleau, to launch a permanent centre to study entrepreneurship. 3i will be providing know-how as well as funding to the tune of £1.5m over three years.

The 3i venturelab will investigate how basic skills, attitudes and behaviour towards entrepreneurship can be better understood and will distribute regular pan-European research reports on related subjects. The first report will be published in March.

The 3i venturelab will be based at Insead and will incorporate the entrepreneurship faculty, led by Daniel Mazzyk, IAP professor of entrepreneurship. Insead: [www.insead.fr/](http://www.insead.fr/)

## Project funding

Two second year MBA students at London business school, Mike Klein and Matthias Uebel, have won an £8,000 grant from recruitment consultants Taylor Bennett to carry out a four-month research project. They will examine how well-run internal communications can generate competitive advantage.

LBS: [www.lbs.ac.uk](http://www.lbs.ac.uk/)

## Treasures at the end of an MBA course

An MBA degree can increase your salary by 21 per cent in real terms, according to the latest salary survey conducted by the Association of MBAs of its UK members. And the increase is rising year on year.

For those who graduated in 1995 the percentage increase - measured by comparing members' salaries on beginning their MBA courses and on completing them - was 13 per cent (adjusted for inflation). In 1993, at the depth of the recession, the equivalent figure was nine per cent - still ahead of

the increase in average earnings.

Graduates from programmes accredited by the Association of MBAs now earn an average of £53,700, according to the survey. Six per cent of respondents earned £100,000 or more and the mean salary for women was £48,400 compared to £56,000 for men. The respondents range from members who graduated more than 30 years ago.

The extent of the salary increases demonstrated in the 1997

survey bear a direct relation to the type of course studied, says Robert Owen, manager for accreditation services at the Association of MBAs. Salary increases tend to be greater for those who studied full-time than for those who studied part-time. Salaries for those who studied through distance learning were lowest.

More than 45 per cent of the respondents who graduated in 1997 completed distance learning MBAs. This proportion is decreasing: almost 60 per cent of the respon-

dents who graduated in 1995 used distance learning, according to this latest biennial survey.

The biggest growth in programme type for those who graduated in 1997 has been in part-time courses. Some 37 per cent of 1997's graduates studied part-time, with just 15 per cent of 1995 graduates studying part-time. The same number who studied full-time.

There is little evidence that MBAs change their profession on graduation, say the authors of the

survey. The one exception to this is the well-established link between MBAs and management consultancy. Graduates also tend to move to smaller organisations at a more senior level.

The survey was conducted among all members of the Association of MBAs now resident in the UK. Most of them went to UK business schools although about 75 of the 1,591 respondents went to US or European schools.

DB

## BUSINESS TRAVEL

## Travel Update - Roger Bray

## Service on net

The rise of the internet need not mean the end of personal service, says IBM. David Dingley, IBM's solutions brand manager, predicts that before long consumers will routinely make simultaneous voice and visual contact with travel reservations staff via PC screens. The technology exists now, he says, but is not yet widely implemented. He estimates that about \$100-worth (\$200m) of travel transactions will have been conducted on the internet this year. The amount of travel-related information

on the web has multiplied fivefold since March 1996, he says.

## Faster Eurostar

Train travel between London and Germany will be quicker from mid-December. Completion of a high-speed line between the French border and Brussels will cut the Eurostar journey time to the Belgian capital by 20 minutes to just 2hr 40 min. The introduction of connecting Thalys trains will reduce the journey time between London and

Cologne, for example, by 45 minutes, to less than five-and-a-half hours.

## Net for Sol Melia

Spain's Sol Melia hotel group plans to offer internet access in all its rooms by the turn of the century. Meanwhile, it has installed interactive television at 22 Spanish city hotels, enabling conference organisers to send delegates messages and allowing guests to check their bills at any time.

## Popular China

China will overtake France and the US as number one destination for business and

leisure travel by 2020, the World Tourism Organisation predicts. In 1990 the country ranked only 12th. Last year it had risen to sixth, attracting just under 23m visitors and still lagging behind Spain, Italy and the UK. But by 2020, it will be pulling in about 137m visitors.

## Mideast Marriott

Marriott is to manage a hotel exclusively for Muslims. The 150-room property will open in 1999 in Medina, Saudi Arabia. Non-Muslims may visit but not stay overnight. The company will also manage two other hotels in the

Middle East, both scheduled to open the following year. They are the 335-room Mirage City in Cairo and the 222-room Abu Dhabi Marriott. The former will be on the outskirts of suburban Heliopolis. The latter will be part of a complex including an 18-hole golf course. The latter, which will have a health club, outdoor pool and tennis courts, will be in the heart of Abu Dhabi's business district.

## Danish air taxes

Denmark is to impose a DKK75 (\$11) tax on domestic air fares from January 1. Airlines are up in arms, complaining that Danish

railways not only escape the tax but get subsidies. The country's international departure tax will increase on the same date - from DKK65 to DKK75.

## New hotel in KL

Ritz-Carlton is due to open a five-star hotel today in Kuala Lumpur, the Malaysian capital. The 248-room development, which will include a fitness centre, is on the west side of the Golden Triangle on Jalan Imbi, where many large corporations have their offices, and is next to the smart Lot 10 shopping complex.

## Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
Tokyo	13-18	11-17	9-15	10-16	11-17
Hong Kong	21-25	17-21	21-25	22-26	21-25
London	7-10	8-11	8-11	7-10	7-10
Frankfurt	4-8	5-9	6-10	7-11	7-11
New York	5-9	7-10	8-11	8-11	7-10
L. Angeles	12-20	15-20	15-20	15-20	15-20
Moscow	12-15	10-13	7-10	8-11	8-11
Paris	7-10	8-11	8-11	7-10	7-10
Zurich	5-8	6-9	7-10	7-10	7-10

## ON-TRAIN TICKETS

## Do a little work between skiing

For the harried executive, the arrival of the ski season can be frustrating. The siren song of the slopes is seductive but pressure of work compels resistance. Getting away for a week looks impossible. Even a weekend means taking most of Friday and Monday out of the office.

But a business trip may bring you close to the mountains. Here is a guide to the resorts closest to the main commercial centres.

The most convenient resort is Vancouver's Grouse Mountain. It may offer somewhat limited challenges but it is a 15-minute, C\$20 (US\$14/£8) taxi ride from town and most of the slopes are floodlit until 10pm. You do not even need to take cumbersome equipment with you. An entire package - skis, snowboards, boots, jackets and pants can all be rented on the spot.

Slower roads make it hard for European cities to compete but there are several resorts within one-and-a-half to two hours of cities. Isola 2000 may not be pretty and its skiing is not in the premier league, but, while it can take longer in heavy traffic on a Sunday evening, it is only 90 minutes from Nice.

Skiers on business to Air-

bus Industrie in Toulouse should remember the smart Spanish Pyrenean resort of Baqueira-Beret is under two hours away. And the Italian resorts of the often underrated Milky Way are only about two hours from Turin.

If you have a spare afternoon in Sofia, Bulgaria's capital, Vitosha is only about 12 miles away, though it can be crowded at weekends and the skiing is somewhat limited. Mount Parnassus is within reasonable distance of Athens - though it is probably too far for a day trip. It might take some of the sting out of a trip to the former Soviet republic of Georgia to know that the resort of Gudauri in Georgia, which offers low-priced heli-skiing, is only about two-and-a-half hours from the capital, Tbilisi.

Farther afield, Japan's latest bullet train will get you from Tokyo to Nagano, the forthcoming Winter Olympics centre, in 90 minutes. From there to the slopes of Shiga Kogen is another 45 minutes by rail. The resort is open from early December to early May.

You can rent gear and ski indoors all year on a 40-metre long run, covered with artificial snow, at the SSAWS Skidome (the first

four letters stand for spring, summer, autumn and winter).

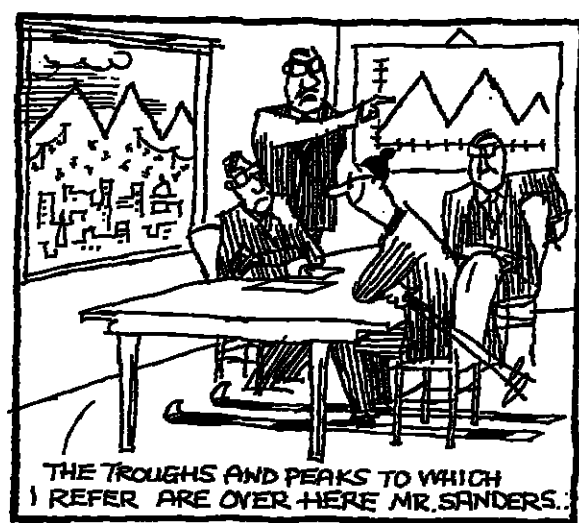
It is open until 10pm and is only 30 minutes by train from Tokyo. An adult two-hour ticket costs ¥5,900 (£48/£28).

A trip to Geneva offers Europe's best chance of sloping off for the day. Megève is only one-and-a-half hours by road. It is a delightful resort, founded on old French money, with excellent places to eat, but is sometimes forgotten by those seeking adrenalin pumping steep and vast mileage. It is a little too low to be certain of good snow, but its slopes provide the perfect warm-up for knees that have been tucked under desks too long.

Flaine and Chamonix are roughly the same distance, the former purpose-built and somewhat austere looking but with terrain to suit most standards, the latter deep in a sometimes gloomy valley but with raw, exciting terrain at Argentiere.

The US offers numerous opportunities for a crafty escape. In the north-east, Killington is 158 miles, or less than three hours' drive, from Boston. Mount Snow is four hours from Manhattan or 90 minutes from Albany.

The world's best night ski-



ing is at Keystone, about two hours west of Denver. Roughly one-third of its runs are floodlit and can be covered and topped up with artificial snow. Slopes are open from mid-November to mid-April and they close at 9pm - early enough to get back to town for a sound night's sleep.

Breakenridge, Copper Mountain and Arapahoe Basin are all about the same distance from the city, but Denver's local hill is Winter Park, just 67 miles away. Even allowing for Colorado's modest interstate highway speed limits, you can be there in about one-and-a-half hours. It opens a large snow bowl this season.

The biggest jackpot awaits those sent to Salt Lake City, Utah. Slip away on a day of fresh powder and sunshine and, even allowing time to park your car, you can be

stepping into your bindings in less than an hour. The choice of resorts includes the former mining town of Park City, Solitude and the groomed trails of Deer Valley. But the best for advanced skiers are Snowbird, with its magnificent, long steep pitches, and Alta, its smaller, less sophisticated, but equally challenging neighbours.

But ski areas in the American west can be very high and altitude sickness a problem. Work yourself in gradually. Don't try mogul hopping at 10,000 ft the moment you abandon the laptop even if you are in great shape.

And remember that your company's travel insurance is unlikely to cover you on the mountains.

Roger Bray

## SAP signs desktop deal with Amadeus

SAP, the world's leading supplier of "enterprise resource planning" software, is preparing to bring travel booking and management to employees' desktops.

It has signed an agreement with Amadeus, one of the world's top two airline computer reservations companies, to build a system allowing SAP users to book flights and hotels from their desks.

The booking facility will be part of a larger system that will bind the management of a company's travel purchasing closer to its financial processes. It is intended that the traveller will only be able to book seats on flights that fall within corporate travel policy, for instance restricting flights to airlines with which the company has preferred supplier agreements.

The information accumulated from the bookings will help companies to make better deals with travel suppliers in return for volume or market-share commitments.

The SAP system will also advise companies how best to spread their spending between preferred suppliers to maximise rebates. Information will flow through to SAP's expense management system, allowing expense claim forms to be generated automatically (for example by taking information from

a credit or charge card).

SAP, which has grown rapidly over the past five years, is now the technological heart of many multinational companies, which will only introduce systems that are compatible with it. The new system will also benefit from being presented in the usual SAP format.

All these functions are available in varying forms from an assortment of business travel agents, computer reservation systems and "travel technology" suppliers. What differentiates this new agreement is that information will flow through to all parts of the SAP R/3 system, which tracks payroll, human resources, manufacturing, purchasing and accounting data.

"We had been holding off investing in travel automation until something did appear for the SAP environment," says Gus Holweger, California-based travel manager for electronic design developer Synopsys.

However, Mr Holweger is not happy that SAP has aligned itself - for the moment at least - to just one computer reservation system, which is used by less than a third of all travel agencies.

"Typically, travel purchasing has been a separate function from other purchasing procedures within a corporation," says Elaine

White, president of The Global Group, a travel technology consultancy.

"Companies that use SAP will now find it easier and more efficient to move to electronic travel purchasing because the problems of integration will be eliminated. However we have not yet seen any products, nor have we heard a full strategic breakdown of how the products will be brought to market."

Amadeus claims SAP's ability to trace costs through its auditing system will encourage companies to regard travel less suspiciously. "By evaluating the returns on their dollars, companies might now look at travel as an investment rather than an expense," says Jim Davidson, sales and marketing chief of System One, Amadeus's US marketing arm.

Amon Cohen

## CORRECTION

## David Witham

David Witham, vice-president of international hotel and car marketing, is employed by Carlson Wagonlit Travel and not American Express, as stated in The Business of Travel survey on November 23.

0155 00 4121



## ARTS

## OPENINGS

## PARIS

The Opéra's Christmas show is *The Merry Widow*, starring Karita Mattila as Hanna Glawari and Bo Skovhus as Count Danilo. It opens tonight at the Palais Garnier and runs till December 31.

## VIENNA

An exhibition comparing the work of Pieter Bruegel the Elder with the paintings of his sons, Jan Bruegel the Elder and Pieter Bruegel the Younger, opens at the Kunsthistorische Museum on Sunday.

## MILAN

The new season at La Scala opens on Sunday with *Macbeth*, conducted by Riccardo Muti, staged by Graham Vick and designed by Maria Björnsen. Renato Bruson and Maria



Guleghina are the Macbeths and Roberto Alagna (above) sings Macduff. The production runs with changing casts till January 2.

## NEW YORK

West's baritone Bryn Terfel makes his New York Philharmonic debut on Thursday at Avery Fisher Hall, singing the title role in Mendelssohn's *Elijah*. Kurt Masur (below right) conducts, and there are further performances on Saturday and next Tuesday.

## BERNE

The Kunstmuseum spotlights the work of Lyonel Feininger, Alexei von Jawlensky, Wassily Kandinsky and Paul Klee in an exhibition opening on Friday. This is the first show to plot the artistic dialogues between *The Blue Four*. It also explores the influence of Galka Scheyer, who

founded the group in Weimar in 1924 and championed their cause among wealthy US collectors.

## ROTTERDAM

The Boijmans-Van Beuningen Museum is focusing on a less well-known aspect of Max Ernst's oeuvre with an exhibition of more than 60 sculptures. Ernst regarded his sculptures as humorously incidental to his other work, which may account for their greater formal freedom compared to his surrealist paintings. The show opens on Saturday and runs till early March.

## PRAQUE

Prague celebrates the music of Bohuslav Martinu in a series of concerts starting on Sunday at the Lichenstein Palace. The final programme, at the Rudolfinum on December 18 and 19, is conducted by Sir Charles Mackerras.

## AMSTERDAM

Joan Rodgers and Rosemary Joshua lead the nuns who mount the scaffold in Robert Carsen's new production of Poulenc's *Dialogues des Carmélites*. It opens at the Muziektheater on Thursday and runs till December 30.

## LONDON

George Cole returns to the London stage this week in *Heritage*, a new play by Stephen Churchett, whose first play, *Tom*



directed by the cast also includes Gwen Taylor and Tim Pigott-Smith. Alex Jennings (left) is London's latest *Hamlet*, opening on Thursday at the Barbican. The modern-dress production, directed by Matthew Warchus, has extensive cuts which delete the political dimension of the play, and has won, in Stratford-upon-Avon, both high praise and dismissive reactions.



'Slowly Turning Narrative', 1992: a video/sound installation made by Bill Viola

## The universal in the everyday

Lynn MacRitchie on the timeless video images of Bill Viola

A great mirrored screen, mounted on a pole, revolves inches from one's face, its glittering bulk nearly filling a darkened room. Video images slither from its silvery surface, growing ever larger as they spread over the surrounding walls - fire and smoke, figures riding a carousel, a landscape, a wedding party. A man's face appears: a voice intones "The one who watches, the one who cries, the one who judges..."

The dark outlines of the watching figures interrupt the flowing colours, their reflected bodies becoming part of the whirl of images on the screen: there are no mere spectators at this show. The exhibition of Bill Viola's video installations at the Los Angeles County Museum of Art plunges the viewer straight into the heart of Viola's world, a dizzying maze of sound and light, where the most fundamental of life's experiences - meeting and parting, birth, childhood and death - become the subjects of a glowing pageant of electronic set-pieces which claim for video the status of monumental art. Viola has been working with video for the past 25 years. In a career remarkable for its singleness of purpose, he has managed not to be side-tracked by the use of technology for technology's sake, but has rather developed video installation as a means of exploring aspects of

human experience in a direct and simple way. Thus in "The Stopping Mind", 1991, the viewer is surrounded by screens on four sides. Random images shot with a hand-held camera appear, landscapes and day and night scenes lurching about, the ambient sound a threatening roar. Suddenly, the screens freeze: time stops. From the silence, a voice begins to whisper, describing the loss of bodily sensation in a black space. Just as the listener is attuning to this, the screens burst in to motion again, the voice drowned in random sound.

The concept is complex - "how can we be and think at the same time?" in Viola's own words - but its execution could not be more direct: in the metaphor of the suddenly-stilled video screen, the constant attempt to make sense of the random nature of experience is made a vivid reality rather than a tantalising abstraction.

For all its technical complexity, a profound simplicity of purpose is the key to Viola's work, and also the key to its development. Earlier, pieces often included actual objects. "The Room for St John of the Cross", 1983, has a re-creation of the saint's cell, as well as the hallucinatory projection of a mountain range on the wall representing his visions. In "The

Sleep of Reason", 1988, a small monitor showing a sleeping figure is displayed in a room setting, complete with chest of drawers, rug and vase of flowers, while terrifying, violent images suddenly roar into life on the walls.

Lately, this somewhat laboured approach has been pared down, the video images left to speak for themselves. In the beautiful "Veiling", made for the Venice Biennale in 1995 at which Viola represented the US, the figures of a man and a woman walking towards each other are projected from opposite ends of a series of white scrim screens, their images finally mingling in the central panel. Also made for Venice, "The Greeting" is a sort of animated version of Pontormo's famous painting of the meeting between the Virgin Mary and Saint Elizabeth, re-enacted on video. While the idea sounds odd, the actual work is astonishingly powerful, a contemporary reworking of one of the great themes of Renaissance painting. The huge screen glows with colour, a feast for the eyes as, in extreme slow motion, the figures of the women re-enact their timeless ritual of recognition and blessing in an hypnotic wash of ambient sound.

Peter Sellars, the theatre and opera director, co-curated the show with David Ross, director of the Whitney Museum and long time colleague of Viola's. "It was a collabora-

tive effort," Viola told me, "But Peter pushed me to open out the works, to make them talk to each other." Thus for the first time the 15 selected installations are presented as a continuous whole, unnamed, untagged and unexplained until the very end of the exhibition, when pages from Viola's notebooks are displayed on the walls.

Thus there is no hand visible but that of the artist himself. The spectator must be prepared to submit to the experience of the exhibition, to inch through dark spaces, to be assaulted by sudden blasts of sound and light: a detached viewing is simply not possible.

"The function of images is to interfere between us and the divine," Viola told me, a belief he has tested over many years of study of comparative religions and philosophy. Made in his affable, unassuming way, the statement still shocked. In our age of irony, where nothing is permitted to be what it seems, Viola is restating as the basis of his work the belief which informed the creation of some of the most powerful art works in history - that they were made in the service of a higher vision, an attempt to find the universal in the struggles of the everyday.

Bill Viola: a 25-year Survey of Work. Los Angeles County Museum of Art until January 11, 1998 (Tel: 213 857 6000). Sponsored by VEB.

Theatre in London/Ian Shuttleworth

## Plasticine meets Heath Robinson

The immortal words of animated inventor Wallace - "Well, that went as well as could be expected" - constitute a fairly accurate summation of the first stage appearance of Nick Park's now classic Plasticine sagas... accurate, that is, in so far as they account for their greater formal freedom compared to his surrealist paintings. The show opens on Saturday and runs till early March.

way of varying the action and allowing disconnected routines onto the stage to fill out 100 minutes or so. Russ Edwards as Gromit and Angela Clerk as "Feathers" McGraw, the villainous penguin, pull off no mean achievement in suggesting entire ranges of facial expressions with eyes only - the majority of their faces being obscured by a snout and a beak respectively. Mark Otto Hollander engages in bursts of high-speed gambolling as Shaun the lamb, and Paul Filppak's Wallace is reunited with his great lost love Wendolene (Joyce Henderson, resplendent in a rigid polystyrene hairdo).

But the real star of the show is Tom Piper's design. The set needs of *A Grand Night Out* have not merely liberated a designer to cut loose, they have positively demanded an outpouring of Heath Robinson exuberance, and Piper has cheerfully risen to the challenge: the caravan-sized Pantheatron opens out to reveal a raked inner stage, a tiring-room complete with treacherous tip-over armchair, a "Special Effects"

closest (two, if you count the magician's false wardrobe on the other side) and even a James Bond-style death-dealing device in its ceiling. Inevitably, the Techno-Trouserers also make an appearance.

But the plot and action themselves are not at root, very engaging. Dawson depends to an excessive extent on the audience's prior knowledge of the Wallace and Gromit films for cues as to how they should react and what they should feel; true, the penguin is hissed whenever he/she it waddles onstage, but this is more a perfunctory Pavlovian response than a consequence of any onstage neuro-jugginess. The most telling moment of the press night came right at the end: when Nick Park himself and Peter Sallis (the voice of the animated Wallace) were invited up for an honorary curtain-call, the applause which greeted them was noticeably longer and more genuinely fervent than that which the show proper had just received.

Sadler's Wells at the Peacock Theatre, London WC2, until January 10 (0171 314 8800).

## In the van of life

If the Bush Theatre regularly attracts unsolicited playscripts of the quality of Helen Blake's *Caravan*, Mike Bradwell and his team have little to worry about. The first full-length play from this recent graduate of David Edgar's playwriting course is funny, poignant and intelligent in all the right places; reality hurls downhill into reality with an inevitability which is grim, comical or both at once.

Topics are introduced gradually, in registers which keep us guessing. In the opening scene, as Mick the seally cope off with 15-year-old Kim in her Liverpool family's North Wales caravan, his crudity is unsettling but moves in a dynamic equilibrium with the social awkwardness of both characters; only during the few brutal seconds of the sexual act itself is this counterbalancing suspended - in its aftermath, comedy once again insists, almost shockingly, on bubbling to the surface.

Kim's later confession to her elder sister Kelly goes unnoticed amid the radio commentary to the Grand National, but Kelly's comment on the result - "Typical: 'im first, me second'" - could apply equally to what Kim has just said. Bruce, the boyfriend of their widowed mother Josie, remarks almost offhandedly, "If there's one thing I hate, it's being on a picket line thing Monday" - a nicely gradual, un-budgeoning way in which to introduce the outside-world theme of the Liverpool dock strike. Blakeman works skilfully with dramatic irony, but without serving it to the audience on a plate; each successive twist of complica-

tion in the relationships of these five characters is first hinted at before being openly revealed, so that we squirm exquisitely for the victims as we await the full discovery of events. The caravan (wonderfully created onstage in Bruce Macaulay's precise cutaway) becomes a compact crucible for politics, economics and betrayal on both a macro and a micro scale.

Director Gemma Bodinetz and her cast of five - including Elizabeth Stenson, Pip Donaghy, Emma Cunniffe and the first stage appearance of Samantha Lavelle - mix and match emotional registers with great sensitivity; even the inter-scene music is selected with sardonic deliberation. The play's final scene does not so much end as slip into blackout, but Blakeman has made a remarkable debut. To paraphrase Dr Fu Manchu: the world shall hear from her again.

Bush Theatre, London W12 (0181 743 3388).

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

**EXHIBITIONS**  
Rijksmuseum  
Tel: 31-20-673 2121  
On Country Roads and Fields: tracing the development of Dutch landscape painting through the 18th and 19th centuries, this exhibition starts with the idealised visions of De Moucheron and Van Huysum, includes examples of The Hague School post-1860, and concludes with turn-of-the-century works by Van Gogh and Mondrian; to Mar 3

Van Gogh Museum  
Tel: 31-20-570 5200  
Auguste Préault (1869-1897): Romanticism in Bronze. 75 sculptures and medallions by the nonconformist whose works, during his lifetime, were regularly rejected by the Salon jury. This display includes important works produced during the 1890s and 1840s; to Jan 11

### OPERA

Netherlands Opera, Het Muziektheater  
Tel: 31-20-551 8911  
*Dialogues des Carmélites*: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sherr Greenwald; Dec 4

### BOLOGNA

**OPERA**  
Teatro Comunale  
Tel: 39-51-529 999  
[www.teatrocomunale.it](http://www.teatrocomunale.it)  
Turandot: by Puccini. Revival conducted by Daniele Gatti in a staging by Hugo de Ana; Dec 2, 4, 6

### CHICAGO

**OPERA**  
Lyric Opera of Chicago  
Tel: 1-312-332 2244  
[www.lyricopera.org](http://www.lyricopera.org)  
Amistad: world premiere of Andrew Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Wolfe; Dec 2, 5

### EDINBURGH

**EXHIBITIONS**  
Scottish National Gallery of Modern Art  
Tel: 44-131-624 6200  
Correspondence: transferring from the Martin-Gropius-Bau, Berlin, a selection of works by six young Scottish and six young German artists. Organised as an exchange, the display includes

painting, sculpture, video and light projections; to Feb 1

### FRANKFURT

**EXHIBITIONS**  
Schirn Kunsthalle  
Tel: 49-69-299 8820  
Holy Russia: Icons and the Rise of Moscow 1400-1600. 50 rarely exhibited icons lent by Russian museums are the centrepiece of this exhibition, which also includes 16 manuscripts. The period was a crucial one, which marked the rise of Moscow as a principality ruled by powerful Tsars. Its architecture and art reflect this shift, and illustrate a remarkable synthesis of Renaissance ideas with traditional Byzantine forms. To Mar 1, after which the exhibition will travel to London

### LONDON

**EXHIBITIONS**  
National Portrait Gallery  
Tel: 44-171-3060055  
Hyenas in Petticoats: Mary Wollstonecraft & Mary Shelley. Celebration of the joint bicentenary of the two women writers, the birth of the latter having caused her mother's death. Through portraits, drawings and manuscripts the display examines their lives, times and writings; to Feb 15

### OPERA

English National Opera, London Coliseum  
Tel: 44-171-632 8300  
● Faust: by Verdi. This co-production with Opera North,

first seen in Leeds, is conducted by Dohnányi and directed by Matthew Warchus. Cast includes Alan Oke in the title role; Dec 1, 3

● The Magic Flute: by Mozart. Nicholas Hytner's production, revived by David Ritch and conducted by Christopher Moulds; Dec 4, 6

Shaftesbury Theatre  
Tel: 44-171-378 5369  
The Royal Opera: Il barbiere di Siviglia, by Rossini. New production staged by Nigel Lowery; Dec 1, 2, 3, 4, 5, 6

### THEATRE

Riverside Studios  
Tel: 44-181-741 2255  
On Les Beaux Jours: by Samuel Beckett (1981). Peter Brook directs Beckett's French language version of Happy Days; Dec 2, 3, 4, 5, 6

### LOS ANGELES

**OPERA**  
L. A. Opera, Dorothy Chandler Pavilion  
Tel: 1-213-972 8001  
[www.laopera.org](http://www.laopera.org)  
Countess Maritza: by Kálmán. Premiered in Santa Fe this summer, this lively production by Linda Brovsky stars Ashley Putnam and is conducted by John Crosby; Dec 2, 5

### MADRID

**DANCE**  
Teatro Real  
Tel: 34-1-576 0600  
The Royal Ballet: Anthony

Dowell's staging of *The Sleeping Beauty*, with designs by Maria Björnsen; Dec 1, 2, 3

### NEW YORK

**DANCE**  
New York City Ballet, New York State Theater  
Tel: 1-212-870 6570  
George Balanchine's *The Nutcracker*; Dec 2, 3, 4, 5, 6

**OPERA**  
Metropolitan Opera, Lincoln Center  
Tel: 1-212-362 6000  
[www.metopera.org](http://www.metopera.org)  
● La Clemenza di Tito: by Mozart. Conducted by James Levine in a staging by Jean-Pierre Ponnelle. Cast includes Anne Sofie von Otter and Anthony Rolfe Johnson; Dec 3, 6

● The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Dec 1, 4, 6

● Turandot: by Puccini. Revival of a staging by Franco Zeffirelli; Dec 2, 5

### PARIS

**CONCERTS**  
Salle Pleyel  
Tel: 33-1-4561 6589  
Orchestre de Paris: conducted by Wolfgang Sawallisch in works by Beethoven. With soprano Eva Mei, tenor David Kübler, bass Jan-Hendrik Rootering and Choir led by Arthur Oldham; Dec 3, 4, 6

### EXHIBITIONS

Musée Carnavalet  
Tel: 33-1-4272 2112  
Paris and the Parisians in the time of Louis IV: more than 300 engravings, which together create a vivid impression of 17th century Paris. Including portraits, images of the city and its monuments, as well as proverbs, allegorical works, and almanacs; to Jan 18

**OPERA**  
Opéra National de Paris, Opéra Bastille  
Tel: 33-1-4473 1300  
Der Rosenkavalier: by Strauss. New production conducted by Edo de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 3, 6

Opéra National de Paris, Palais Garnier  
Tel: 33-1-43439696  
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 1, 3, 6

### SAN FRANCISCO

**OPERA**  
San Francisco Opera, War Memorial Opera House  
Tel: 1-415-844 3330  
[www.sfoopera.com](http://www.sfoopera.com)  
● Eugene Onegin: by Tchaikovsky. Yuri Temirkanov conducts his 1980s Kirov Opera production, with a cast including Anthony Michaels-Moore;

### Dec 2, 5

● Pelléas et Mélisande: by Debussy. Conducted by Donald Runnicles in a production by Colin Graham. Frederica von Stade and Simon Keenlyside sing the title roles; Dec 3

### TOKYO

**CONCERTS**  
Suntory Hall  
Tel: 81-3-3289 9999  
Chamber Orchestra of Europe: conducted by Emmanuel Krivine in works by Prokofiev, Beethoven and Mendelssohn; Dec 2

### TV AND RADIO

● WORLD SERVICE  
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV  
Monday to Friday, Central European Time:

● NBC Europe  
10.00: European Money Wheel  
Nonstop live coverage until 15.00 of European business and the financial markets.  
17.30: Financial Times Business Tonight

● CNBC  
08.30: Squawk Box  
10.00: European Money Wheel  
18.00: Financial Times Business Tonight



## COMMENT &amp; ANALYSIS

## Why sanctions don't work

**Congress must reassess its trade relations, says Willard Berry**

Many economists, policymakers and pundits have observed that popular sentiment in the US has turned against free trade and investment. In spite of the apparent inevitability of a more globalised world economy.

Opposition to trade liberalisation is demonstrated, for example, by the struggle by Bill Clinton, the US president, to convince Congress to renew fast-track trade negotiating authority. A less obvious sign of the lack of understanding of the benefits of global trade is the renewed tendency of US legislators at federal, state and local levels to try to impose unilateral, often extra-territorial, economic sanctions.

Congress, the Clinton administration, and state and local governments seem to believe that the best way to influence foreign behaviour is by threatening to cut off trade. Proponents of sanctions, opting for short-term political gains at the expense of sound long-term policies, have been successful only in limiting US exports, discouraging inward foreign investment, reducing US business activity and employment, and enraging allies whose co-operation is needed to maintain an effective foreign policy.

In the past four years, the US has enacted 81 sanctions laws and executive actions against 36 countries. Congress may pass new laws this year to impose sanctions against countries permitting religious persecution or child labour. Numerous other measures, procurement sanctions for the most part, are being considered by state and local governments.

What is disturbing to the business community is the attitude of legislators in promoting the sanctions measures. Few have had the courage to say in public what most will acknowledge in private – that unilateral economic sanctions rarely achieve their goals. In many cases companies have been blocked from doing business in target countries, but rarely has a foreign government changed its policies because of US sanctions.

Many legislators seem to believe that voting for sanctions is good politics with little cost. Others consider the harm done by sanctions to US interests as the cost of "doing what's right". Even if sanctions have no effect they still make a statement, say many lawmakers.

These views are too often held without any understanding of the harm caused by sanctions and without knowledge of other, more productive, policy options. Sanctions proponents often expect each new measure to be "the next South Africa", even though the sanctions applied to South Africa were but part of a multilateral approach to tackling apartheid. A more accurate analogy for unilateral sanctions would be "the next Soviet grain embargo" – a colossal failure that sacrificed US market share and competitiveness for no foreign policy gain.

Ileana Ros-Lehtinen, a Florida Congresswoman, argued that sanctions help companies by creating stable governments that lead to good business environments. With friends like her, the business community does not need enemies. The Helms-Burton law, which Ros-Lehtinen so vigorously defends, has done nothing to create a hospitable environment for business in Cuba, and has done nothing to help its oppressed people. The main consequence of Helms-Burton has been to sour trade relations between the US and Europe.

Existing US sanctions have hurt the global operations of 80 per cent of the companies participating in a recent study by the European-American Business Council. Forty-four per cent of companies have had to forego a business opportunity to comply with a sanction law. And 18 companies said they had missed business opportunities worth a total of \$1.9bn (£1.1bn).

The administration's opposition to sanctions aimed at religious persecution stands as an exception, following its weak response to a Massachusetts Burma sanction law, a legislative proposal targeting Indonesia and Mr Clinton's politically motivated support of the Helms-Burton law and Iran and Libya Sanctions Act.

The administration should understand the need to protect the multilateral trading

system. Since the WTO was established in 1995 it has proved an effective tool for the US to eliminate foreign trade barriers including tariffs, unscientific standards, and poor intellectual property protection. When the US flouts its own WTO obligations by erecting secondary boycotts such as Helms-Burton, it puts the entire system at risk and limits the ability of US companies to create high-paying jobs by boosting exports.

Rather than cutting off economic ties with problem countries, the US should promote engagement, which is more likely to be effective. When the US feels that engagement will not work, and that sanctions are the best avenue, policymakers should still consider all other options before sanctions are imposed. The US should also make every effort to build multilateral co-operation before acting unilaterally.

Senator Richard Lugar has helped introduce legislation that requires Congress to weigh the economic cost of sanctions against their potential effectiveness. The bill would not ban the use of sanctions; it would offer Congress more information to make decisions.

The bill would also require sanctions laws to allow for a presidential waiver. New sanctions would have to be written to expire unless renewed by Congress and the administration. This common sense reform proposal would maximise US foreign policy flexibility and minimise the harm done to US workers and companies. Congress should move quickly to enact it.

Meanwhile, the business community must do something about public attitudes toward trade. Not only will we help win fights, such as fast-track, but we will protect our companies from the harmful effects of some well-intentioned but ill-advised legislators who fail to understand who the real target of sanctions usually turn out to be.

The author is president of the European-American Business Council.

## Personal View • Madeleine Albright

## Warming to a global plan

A worldwide effort must be made to tackle the dangers of climate change



Climate change

This week in Kyoto, Japan, representatives of more than 160 nations will gather to forge a common response to what Bill Clinton, the US president, has called "the premier environmental challenge of the 21st century" – global warming. The issues are complex, the proposed remedies diverse. But two facts are clear.

First, we have a broad scientific consensus that climate change is occurring, that it poses serious ecological and economic dangers, and that only a worldwide effort can limit its impact. No one nation or group of nations can solve the problem by acting alone.

Second, if the conference at Kyoto is to succeed, Europe and the US – as industrial powers and main emitters of the greenhouse gases that cause climate change – must work together.

It is said that nine-tenths of wisdom is being wise in time. Unfortunately the challenge posed by global warming is complex; its causes are invisible, its harmful effects are slow to make themselves felt, and its source is internal, indeed basic, to our economies and our way of life.

The temptation is strong to duck the challenge and leave the hard choices, which grow more difficult year by year, to future generations.

But as the Kyoto conference approaches, I am optimistic that Europeans and Americans are prepared to act responsibly, and rise to meet this challenge as we have so many others during this turbulent century.

Mr Clinton has proposed a plan of action that sets out concrete targets and strategies to lower greenhouse gas levels in the near-term and to build on that progress in future years.

The American proposal would return greenhouse gas emissions to 1990 levels

involved sharing the credits. These kinds of market-based innovations have been used successfully to combat acid rain in North America and to support sustainable development around the world. Overall, our approach is designed to create the maximum number of incentives for the development and use of clean technology, and the maximum amount of flexibility for nations striving to reduce emissions.

At the same time, the European Union has proposed reductions of 15 per cent below 1990 levels on three of the six greenhouse gases. The EU proposal does not include the ideas for joint implementation or emissions trading that the US has put forward.

Our shared task is to resolve our differences and achieve a result at Kyoto that is ambitious, comprehensive and realistic. That sounds like a tall order. But if we put rhetoric aside, and tally the full impact of cuts proposed by the US, the difference in proposed reductions between the US and EU plans is smaller than has generally been recognised. Our ideas also have much in common with the proposal of our host, Japan, and would provide a sound foundation for global action.

It is essential that the developed nations agree on a strategy to combat global warming. But our actions alone will not be sufficient. Within decades developing

nations will collectively overtake the US and Europe as the largest source of greenhouse gas emissions. As they industrialise, countries such as China and India will generate enormous demand for energy. Unless they acknowledge responsibility for the health of the environment, their rapidly rising emissions may wipe out any gains the developed world has made.

But, again, the issues are complex. Developing countries have the right to expect the nations currently generating the bulk of greenhouse gases to act first. They are right to insist that their economies retain room to modernise and grow. And it is reasonable for them to seek help in devising and using environmentally friendly technology. The US proposal for joint implementation is designed to help address these concerns.

It is essential, however, that as nations become big contributors to the problem of global warming, they also contribute to the solution. The developed countries must lead, but we cannot solve the problem without the developing world. And as Mr Clinton has said, the US will not take on binding obligations without meaningful participation from developing countries.

The Kyoto conference provides an opportunity for the world community to respond to a threat that, if left unattended, will endanger us all. To succeed, countries must focus not only on what sounds good, but on what will do good; not only on establishing goals, but on achieving them. We must take advantage of the awareness growing in every country that there is a limit to the abuse our atmosphere can absorb, and that economic growth must be environmentally sustainable. And we must all accept responsibility for protecting the earth.

The joint leadership of the US and Europe has done much to shape the history of this century. We now have the opportunity, by working together to build an effective response to global warming, to begin shaping the history, and ensuring the well-being, of the next.

The author is the US secretary of state.

## How many places do you need to look to find private equity & venture capital? Only one

Private equity encompasses everything from large leveraged buy-out deals to the more traditional venture capital channelled into start-up or early stage businesses.

If you are looking to buy-out, buy-in, expand or start a business then you couldn't do better than investing in a copy of *The Venture Capital Report Guide to Private Equity & Venture Capital in the UK & Europe, 1998 Edition*. It is the best available guide to sourcing the right investor for your type of business first time.

"The Guide allowed us to pigeon-hole our business so we didn't waste any time or resources in approaching the wrong venture capitalists."

Roger Wylie, MD of Access Keyboards Ltd (Successfully raised £1.2m)

Containing over 220 sources of investment in the UK and Europe, each entry shows:

- the type and value of investments considered
- the number of investments already made
- the decision making process
- biographies of key executives
- investment portfolios, showing both successes and failures

The Venture Capital Report Guide to Private Equity & Venture Capital in the UK & Europe

Ensure you have instant access to the most up-to-date and thorough private equity and venture capital information available.

9TH EDITION PUBLISHED DECEMBER

ORDER NOW to take advantage of our pre-publication price - £175.00\* plus postage and packing.

\*Published price £195.00

► FAX your order to: +44 (0)1704 506685

► CALL our Order Hotline on: +44 (0)1704 508080

► E-MAIL us at: [pizzman.shaw@distribution.pearson-pro.com](mailto:pizzman.shaw@distribution.pearson-pro.com)

► POST this form to: Pitman Publishing, Department CS FREEPOST-LON8663, SOUTHPORT Merseyside PR9 9BR



## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fax"). e-mail: [letters.editor@ft.com](mailto:letters.editor@ft.com) Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

## Joint efforts seek end to customs corruption

From Mr Leonid Lozbenko

Sir, John Raven's letter (November 26) on customs corruption provides a valid, if simplistic, view of this very real barrier to economic development.

Dishonesty in customs clearance processes has unfortunately been diagnosed on many occasions, but it must also be said that the overwhelming bulk of world trade moves easily and economically through the hands of efficient and honest customs officials.

The World Customs Organisation and its many advanced and professional member administrations concern themselves with handling and implementing

effective solutions to the many complex issues that make up the problem. This is done through intensive programmes of reform and modernisation.

Our 1993 Arusha declaration identified that the road to integrity was through modern automated accounting and business practices, fair pay rates, simplified procedures and, most importantly, customs intervention based on properly assessed risk and not opportunism.

We are daily working alongside many other organisations, including the World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, United

Nations Conference on Trade and Development, and the European Commission to put these steps into practice on a global basis.

Many of our members also invest considerable resources to assist colleague administrations in implementing modernisation programmes.

What the World Customs Organisation or its members cannot change is the pervasive nature of corruption within politics, public administration and commerce in some countries. When this exists the prospect of bringing about effective change within a customs administration in isolation from more funda-

mental cultural or societal change is bleak. These dishonest role models must be changed or some customs officials will continue to mimic such behaviour. In this respect, we are particularly heartened to have the support of the International Chamber of Commerce and its efforts to alert its members to the need to end dishonest practices by a small number of unethical or apathetic traders.

Leonid Lozbenko, deputy secretary general, World Customs Organisation, Rue de l'Industrie, 96-98, B-1040 Brussels, Belgium

## Justified confidence in Argentine financial system

From Dr Andrew Powell and Mr Agustín Villar

Sir, The FT is right to highlight the fast growth in bank deposits in Argentina and the extraordinary potential that surely exists for the future ("Argentine bank deposits grow fast", November 26). However, I was very surprised to read the account given of the recovery of the financial system after the 1995 "Tequila

shock" and that in particular, according to the report you cited, "some 62 per cent of the bank deposits that fled the banking system in 1995 have now returned".

In fact, deposits in the banking system had fully recovered and were at record post-hyperinflation levels by the end of the same year. Furthermore, total deposits today stand at \$97.1bn and not the \$56.9bn

quoted in the article.

Finally, the enhancements to banking regulation and supervision, auditing, market discipline, disclosure and transparency, along with the significant restructuring that has occurred in the Argentine financial system, have paid handsome dividends. The confidence in the financial system is now such that, while the current Asian crisis has affected Argentine

stock and bond markets, bank deposits and international reserves have been very stable indeed.

Andrew Powell, chief economist, Agustín Villar, head of economic analysis and statistics, Central Bank of Argentina, Reconquista, 266, 1003, Capital Federal, Buenos Aires, Argentina

## Nothing 'second tier' about the Nasdaq market

From Mr Charles Balfour

Sir, As the FT prides itself on the quality of its US coverage, I was puzzled by statements in your report of the Organisation for Economic Co-operation and Development's survey of the country's economy. Wolfgang Münchau, reports ("US tops the entrepreneurs' league", November 25) that the most important factor driving forward the US economy is the growth of small, dynamic companies.

We at Nasdaq like to think

that we have played our part in fostering entrepreneurial talent by providing the market of choice for so many of these expanding enterprises, both in the US and throughout the world.

It is gratifying that Mr Münchau should acknowledge Nasdaq's success in helping growth orientated companies to market. I would, however, be interested to know why he described Nasdaq as a "second tier market".

More than 5,500 compa-

nies, including leading corporations such as Microsoft and Intel, are listed on Nasdaq, which generates greater average trading volumes than any other market in the US. Indeed, in October Nasdaq became the first US stock market to trade more than 1bn shares in one day.

I was also mystified by Mr Münchau's assertion that Nasdaq is in some way less heavily regulated than other US markets. Nasdaq is fully regulated by the National Association of Securities

Dealers and comes under the jurisdiction of the US Securities and Exchange Commission. All Nasdaq listed companies are registered with the SEC. Nasdaq's regulatory framework is in no way "lighter" or less stringent than that governing any other US stock market.

Charles Balfour, managing director, Nasdaq International, Durrant House, 8/13 Chiswell Street, London EC1Y 4XT, UK

1254001254



## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday December 1 1997

## Cool counsel for Kyoto

The idea of regulating the world's climate would, until recently, have been thought mad, or at least impious folly. Modern technology has changed this. But the representatives of 150 countries gathered in Kyoto today should remember, as they squabble about details, the awesome scale of their task.

A successful attack on global warming might eventually cost as much as a world war. Yet on some estimates, the devastation caused by a rise in temperature could be even worse than the effects of such a conflict. A study by Oxford Economic Forecasting suggests that the cost of stabilising industrial countries' carbon emissions at 1990 levels (by 2010) might be of the order of 0.75 to 1.5 per cent of national output. Over 50 years or so, such a programme would represent a very large cumulative loss of welfare.

The Kyoto stakes are therefore high. So are the uncertainties. Most experts agree that increased emissions of "greenhouse gases" have helped to raise average temperatures by about 0.5°C during the last century. It is much less clear what will happen in the next 100 years. Projections depend on complex computer models, still under development. Uncertainties remain about the effects of evaporation, rainfall, clouds and the dissolving of carbon dioxide in the oceans, which may help to cool the globe. Some scientists think that increased solar radiation may have been at least as warming as greenhouse gases since the 1880s.

For such reasons, estimates of the likely rise in temperature during the next century vary from about 1°C to 3.5°C. The

lower figure would cause disruption and inconvenience, but these would (in principle) be manageable if the world economy continued to grow. Higher temperatures could cause catastrophic floods, storms and droughts.

These uncertainties should not be an excuse for inaction in Kyoto. Far from it. But they should counsel humility to any politician disposed to strike postures or haggle over emissions quotas for the next few years.

Nations start from widely different positions in terms of energy usage, growth prospects and economic interest. It would therefore be better that they should honestly agree to do what they can within their own political constraints, rather than to negotiate common targets which some nations have no intention of hitting.

Equality of effort should be their principle, with the emphasis on economically sensible measures, such as improving efficiency and abolishing energy subsidies. They should also lay the ground for increased co-operation. An international trade in pollution quotas, for example, could greatly reduce the total cost of curbing emissions. Such a scheme would allow rich nations to help poorer ones by buying their quotas - with benefits to both.

Utopian? Perhaps. But it may seem less so in future, if new evidence should prove beyond doubt that global warming is as dangerous a common enemy as some now believe. If Kyoto is to prepare a defence for that time, it must be founded pragmatically in the present recognising political constraints as much as the limitations of modern science.

## Czech farewell

The defenestration of Vaclav Klaus as Czech prime minister removes the most formative influence on post-communist Czechoslovakia. He has mixed great ability with a confidence in his own skills as politician and economist, a self-belief not always entirely justified.

In his favour was a passionate belief in privatisation and a conviction, shared with his idol, Lady Thatcher, that the state should get out of the economy. He contemptuously dismissed advocates of a gradual transition to capitalism as partisans of an illusory "third way".

He was equally single-minded in negotiating with Vladimir Meciar, his Slovak counterpart, when it came to splitting Czechoslovakia. He ignored those who argued for a compromise which might have kept a loose federation, arguing that a clean divorce was better than a messy marriage.

Alas, the problems of transition proved more complicated than he thought. Mass coupon privatisation gave millions of Czechs tiny shareholdings which they set on or entrusted to poorly regulated funds. The state sector banks which owned many funds proved more interested in retaining formal control than restructuring assets.

The assumption that a privatised economy and free markets regulate themselves was disproved by asset stripping and a lack of transparency. Insufficient understanding of how global financial markets really operate, coupled with the erosion of two competitive "cushions" - low wages and an undervalued exchange rate - led to a humiliating devaluation earlier this year.

The knives had been out for Mr Klaus since he failed to lead his party to a clear victory in the 1996 elections. The financial crisis sharpened them. His single-mindedness bordered on arrogance and lost him friends. Nonetheless, his shaky coalition managed to agree tougher fiscal policies, a bigger welcome for foreign investors, and a new drive to privatise the banks.

He leaves the country stronger and wealthier than when he took power in 1992. Before, it was the most regimented of Soviet satellites. Today, it is in the front ranks of those seeking to join Nato and the European Union. The foundations of a market economy are in place. But he leaves the Czech economy less entrepreneurial than Poland, and less privatised than Hungary. Much remains for his successors to do.

## Reno's dilemma

Janet Reno, the US attorney general, is about to decide whether to seek the appointment of an independent counsel to investigate fundraising telephone calls from the White House by Bill Clinton, the US president and Al Gore, his vice-president. After what has been a prolonged period of agonising, the betting is that she will not take a step which would be seen as politically damaging to the presidency. Her decision will no doubt cause much excitement inside the Beltway. But for most of America, it will seem largely irrelevant.

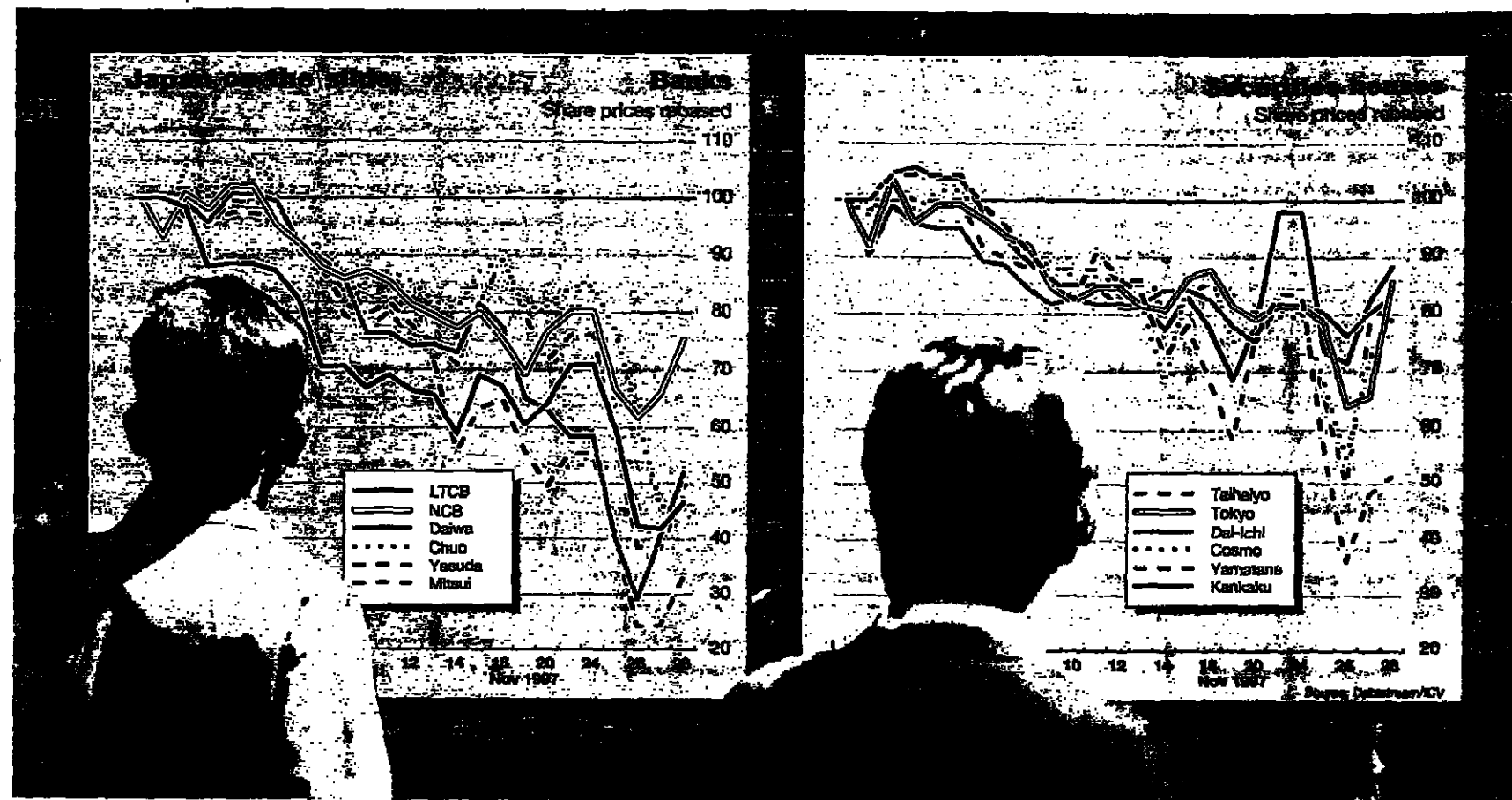
There are three reasons for this world weariness. The first is that the independent-counsel system, which was enacted in the aftermath of the Watergate scandal in the 1970s, has been in good measure discredited in recent years. Their investigations appear to drag on forever, at enormous public expense, with very little in the way of tangible outcomes.

The second is that the allegations which would be investigated - whether Mr Clinton and Mr Gore violated the law by soliciting campaign funds from federal property - seem laughably trivial in the context of an election campaign during which both main political parties

plainly ignored the spirit if not the letter of law on a large scale. This autumn's Senate hearings on campaign finance undermined the shortcomings of the present legislation. As Mr Dick Morris, the political consultant regarded as the architect of Mr Clinton's last victory, once observed: "These are such bad laws, with so many loopholes, you'd have to be an absolute genius to be a criminal."

Finally, despite the best efforts of the president's opponents and America's most diligent investigative reporters, no one has yet come up with a smoking gun. There is no evidence that the course of the election was altered by the intervention of sinister foreign powers, or by sleazy business figures.

Ms Reno's decision will not affect these broader issues. Attempts to reform campaign finances have got nowhere, and there is no kind of political consensus for more radical ideas, such as the introduction of free television time for serious political parties. So the president will continue to have to eat an enormous number of dinners to raise money for past debts. And American voters will grow no less cynical about what drives their political leaders.



## Japan reaps what it sowed

Crisis in the financial system has its roots in flimsy regulation and poor policymaking, argue Paul Abrahams and Gillian Tett

As Japan's financial sector plunged into crisis last week, bureaucrats cast about for whom to blame. Some chose to castigate US credit rating agencies, which they claimed had over-reacted in downgrading several banks and brokerages through failure to understand the intricacies of Japan's financial system. Others accused foreign brokers of driving down bank stocks through short-selling and spreading "groundless rumours".

It was one thing for Mahathir Mohamad, Malaysia's prime minister, to harangue the markets for bringing woes upon his country. It is quite another for the world's second largest economy to take a similar line. By attacking the symptoms and not the causes of its problems, Japan's bureaucrats have raised fears that they are underestimating the depth of a crisis that, if mishandled, could threaten the entire Japanese financial system.

The true authors of the present predicament are Japan's authorities themselves. They created the pre-conditions for the collapse of two banks and two brokerages by allowing an asset bubble to develop in the 1980s and by failing to regulate the financial system effectively. Bad loans have been allowed to build up over many years and have only become apparent as companies collapse. By March, the financial system officially had bad debts of ¥27,900bn (\$219bn), though many believe the real total is much higher.

The track-record of poor auditing and financial regulation has left investors unsure of the value of the companies whose shares they hold: not surprisingly they are rushing to sell. Overall, broking sector shares have tumbled nearly 25 per cent since the start of October, while banks have fallen nearly 30 per cent.

Individual banks have had a still more torrid time as the capital markets have singled out the

weak. Since October 1, Yasuda Trust has plunged 77 per cent, Long Term Credit Bank 66 per cent, Daiwa Bank 65 per cent, Chuo Bank 60 per cent and Nippon Credit Bank 43 per cent. Four brokers are trading below the critical ¥100 mark at which analysts say they are priced for bankruptcy.

"These are not local building societies," warns Peter Tasker, strategist at Dresdner Kleinwort Benson in Tokyo. "In terms of assets, some of the banks are the size of Lloyds TSB. This is a much bigger problem than the US savings and loan crisis."

Although investors have been aware of the financial industry's problems for some time, their concerns were not fully priced into the stock market until this month. Before then, they expected that weak banks and brokers would be rescued by their stronger brethren - an essential element of the traditional "convoys" system. That understanding broke down when Sanyo Securities, the country's seventh largest broker, ran into trouble earlier this month. Kokusai, another broker, refused government requests to come to its rescue, and Sanyo sank.

With the convoys system gone, it was not long before another institution collapsed. This time it was the turn of Tagokin, the country's 10th largest commercial bank. Its demise belied government promises that none of the top 20 banks would fail. And last month's voluntary liquidation of Yamachi, the country's oldest and fourth largest broker, nailed home the message that size was no longer a protection against bankruptcy.

The biggest problem for investors now trying to price Japanese risk is the lack of credible information about financial institutions. "The convoys system used to provide a blanket guarantee," says Ken Okamura, financial analyst at Dresdner Kleinwort Benson. "The market cannot be efficient because there is inadequate disclosure to price risk properly."

When bankruptcies have occurred, the liabilities of failed companies have nearly always vastly exceeded officially disclosed figures. Bad loans at Sanyo Securities turned out to be ¥220bn (against the ¥80bn previously admitted) following the discovery of 14 affiliate companies not listed in the accounts.

Similarly, it was the admission by Yamaichi of ¥254bn worth of losses on hidden off-balance sheet deals - known as *tozoku* - that brought down the broker this month. Yet there had been two recent government inspections at Yamaichi, neither of which had uncovered such misdeeds even though rumours of losses had been circulating for six years.

Given this background, it is hardly surprising the markets have lost confidence in the financial system and its regulators. Reassurances have fallen on deaf ears. Sei Nakai, deputy director of the ministry of finance banking bureau, said last week: "There will be no more failures in the foreseeable future." Banks and brokers have been insisting they are financially sound.

A measure of how far Japan's credibility has fallen is the premium international banks are charging its financial institutions in the money markets compared with US or European banks. At one point last week this more than doubled to 90 points.

The question now is whether Japan's authorities can salvage the situation. In the short term, the Bank of Japan is doing all it can to hold the banking industry together. On Friday alone, it injected a record ¥3,000bn into the domestic money markets in an effort to reduce the banks' cost of borrowing, in piecemeal fashion, it is also making special short-term loans to help weaker banks cope with massive withdrawals by depositors.

Furthermore, the Bank is lending money cheaply at the official discount rate - though only on a collateralised basis. The problem is that such an approach is unsustainable because many banks will soon start running out of collateral.

In the longer term, greater transparency and disclosure will be needed to regain investor confidence. A new regulatory agency, directly accountable to the prime minister's office, is due to be created in June. "What the government must do is to show that it will actually punish (poor disclosure)," says Akio Mikuni, head of one of Japan's independent ratings agencies and a long-time proponent of more rigorous financial regulation. "At present there is a feeling that companies can get away with it."

While that feeling remains, the risk of further turmoil is strong. If more bad and hidden debts are revealed and there is no massive injection of public funds into the banking system, the entire industry could be threatened.

Japan's bureaucrats will find it hard to persuade the public to countenance a full-scale bail-out. The financial system became the object of popular opprobrium in 1995 when it used about ¥600bn of public funds to rescue the Jusen housing loan corporations, and it is reluctant to take the lead now when far larger sums are required. Neither is the ministry keen to stick its neck out at a time when Ryutaro Hashimoto, the Japanese prime minister, is considering an administrative reform to strip the ministry of some of its powers.

The ball is firmly in the politicians' court. Mr Hashimoto, who faces upper house elections in July, must find a way of using public funds without torpedoing his plan to reduce the country's fiscal deficit to 3 per cent of gross domestic product by 2003. He must also convince the electorate that its own interests are at stake: namely, that its savings

would be at risk without the use of public money.

The ruling Liberal Democratic party is expected to announce a package of measures aimed at stabilising the financial system in mid-December. But the main elements are likely to emerge much sooner, possibly as early as this week. Steps will almost certainly be taken to expand the pool of money available to protect depositors in the event that another bank or broker fails.

Another option being mulled is that troubled institutions would be encouraged to issue preferential shares that would then be bought by the state. Some analysts say new stock of up to ¥10,000bn would be needed. Such a sum would recapitalise the banks without necessarily blowing a hole in the budget since preferred stock could be treated as an investment. "The investment may ultimately have to be written off, but this pain can be postponed into the distant future," says Jason James, head of research at HSBC James Capel in Tokyo.

Perversely, it may take another large bankruptcy to convince the public of the need for such a package. The biggest danger is that, while the politicians are busy trying to soften up public opinion, events could slip further from their control.

For the first time, the capital markets - and not the bureaucrats - are in the driving seat in Japan. The credit lines of the weaker banks are being cut back aggressively by international lenders. In the coming weeks, it may prove impossible for some banks to raise adequate funds to continue business.

The critical task facing the authorities is to prevent the weak from pulling down the strong. If they fail the consequences for Japan - and for the world economy - could be enormous. Those in charge of Japan's economic and regulatory policies would then only have themselves to blame.

## OBSERVER

## Gunboat diplomacy

Nato ministers might find the time to have a little chat at their meeting today about one of those glib phrases which accompanies grandiose projects like the alliance's expansion into eastern Europe - how to find jobs for all the new brasshats.

Hungary, the Czech Republic and Poland are due shortly to sign accession protocols for Nato membership and *amur* *proprio* dictates that some of their top soldiers will want to cut a dash around Nato HQ in Brussels and get out about directing multinational manoeuvres.

But there's a limited supply of command posts and some of the newcomers won't have the necessary job experience. For example, commanders of frigates and destroyers bristling with weapons on the high seas might not enjoy taking orders from someone who's served on a poppin, in landlocked Hungary or the Czech Republic.

Officials say the alliance can't afford to speed up rotation of senior military posts - "we can't rotate every two years or so or we'll find ourselves in a permanent state of learning," said one. "We'll have to persuade some people to give up

their jobs. This will be a most amusing and entertaining exercise." Not for everyone, it won't.

## Home run

Mahathir Mohamad's crusade to tame the world's free-wheeling currency markets fell somewhat flat at the Apec summit in Vancouver. But this week he's got a certain home advantage when finance ministers or their representatives from 15 nations meet in Kuala Lumpur.

Trouble is, there's late news that some of the top players, such as US deputy treasury secretary Larry Summers and the finance ministers of Japan and South Korea, have pulled out. Mahathir, however, will still be hoping for a decent turnout among the rest for the two-day meeting, during which the International Monetary Fund will divulge preliminary findings of a study on the possibility of regulating currency trade.

There's a chance the gathering may recommend greater transparency in currency trading, but don't expect it to endorse Mahathir's prescription for making such irresponsible activities illegal. Even Malaysia's south-east Asian allies may be muted in their support for Kuala Lumpur - Indonesia and Thailand are receiving aid packages led by the

Fund, that archdeacon of free markets.

Perhaps most tellingly, it's now not impossible that Malaysia itself may at some point have to swallow its pride and seek assistance from the IMF. Interesting to see whether Mahathir comes across a touch more conciliatory.

## Maybe Maystadt

Is Belgium's snow-haired finance minister Philippe Maystadt bound for London after 18 years in the Belgian government? Brussels is buzzing with rumours that Maystadt could be the next chairman of the European Bank for Reconstruction and Development. Jacques de Larosiere, current chairman, leaves in February, and Jean-Claude Juncker, prime minister of Luxembourg - holder of the EU presidency - is headhunting for the post.

Maystadt has said he wants to remain finance minister until Belgium is safely in Emu, but the country is now certain to be among the euro members announced next May. Stories persist linking his name to the EBRD job, despite Maystadt's insistence at a recent EU council that he was "not a candidate".

The world of international finance might well be

disappointed if Maystadt doesn't find himself a higher-profile job. He's been touted as a potential director general of the International Monetary Fund, and president of the European Central Bank. After steering Belgium from economic basket-case to euro shoe-in, who better to ensure the single currency's success?

## Cocoa power

Meanwhile, there aren't too many subjects likely to unite Maystadt's countrymen. The language and cultural rift between the country's Francophone south and Dutch-speaking North even surfaces at EU council of ministers meetings where Walloon and Flemish representatives disagree publicly over everything from harmonisation directives to telecoms liberalisation.

So there's been much rejoicing over a grand alliance between French-speaking deputy prime minister Elie Di Rupo and Flemish foreign minister Erik Derycke on the one issue guaranteed to unite all Belgians - chocolate. Following a debate between internal market ministers over the content of real chocolate, the two say they're on *la même longueur d'ondes* - the same wavelength. How sugary.

## Financial Times

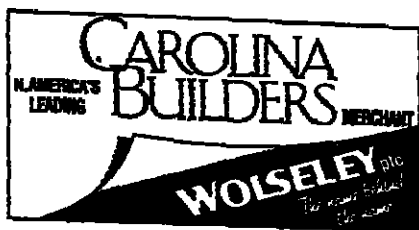
## 100 years ago

German Demands Of China Germany has formulated the following demands to the Chinese government: 1. A money indemnity of 900,000 taels for the murder of the two German missionaries. 2. The erection of a cathedral. 3. The refunding of the expense incurred in the occupation of Kiaochow. 4. The degradation of the governor of Shantung. 5. The punishment of murderers and minor officials. 6. A railway monopoly in Shantung. 7. The occupation of Kiaochow by Germany as a coaling station. China has refused to discuss these demands until Germany withdraws from Kiaochow.

## 50 years ago

"Blunder" On Rubber Pact A charge that Government representatives negotiating for the entry of natural rubber into the USA as part of the recent tariff agreement were "unequal to their task" is made in a statement issued over the weekend by the Rubber Growers' Association. As a result, the Council of the Association declares, more and not less general purposes synthetic will be used in manufacturing in the United States. No increase in dollar earnings will therefore follow.





# FINANCIAL TIMES

Monday December 1 1997

**brother**  
PRINTERS  
FAX MACHINES

Koruna likely to come under renewed pressure

## Czechs in disarray after Klaus resigns as PM

By Robert Anderson in Prague

The Czech Republic faces a prolonged period of political instability after the resignation of Vaclav Klaus, the longest serving prime minister in post-communist eastern Europe, and the collapse of his government.

President Vaclav Havel asked for the government's resignation on Saturday after Mr Klaus's two coalition partners withdrew over a funding scandal in the prime minister's party. But after meeting the coalition leaders yesterday Mr Havel asked them to stay in office until Mr Klaus's Civic Democratic Party (ODS) holds an emergency congress on December 13.

Analysts said the Czech currency, the koruna, which has fallen 10 per cent against the D-mark this year, adding to the government's woes, was likely to come under further pressure today. Gabor Bogner, an economist at Goldman Sachs, said: "The development of a political vacuum would be negative news as it may lead

to a slowdown of structural reform - including privatisation...". Ivan Filip, finance minister, said yesterday important economic policy decisions already approved by the government, including the sell-off of the country's biggest banks and the 1998 budget, would proceed.

Mr Klaus, an economist who startled world leaders with his passionate faith in the effectiveness of free markets, resigned at midnight on Saturday after an 11-hour party meeting. He said yesterday that he would be a candidate for leader at the ODS emergency conference but he would not join a new government.

If the coalition cannot agree to form a new government Mr Havel may decide to appoint a cabinet of technocrats to govern until early elections. This is likely to take about six months under the constitution. Josef Lux, the deputy prime minister and Christian Democrat leader, said yesterday that he wanted a non-party prime minister to take over.

"If there is a chance for a government to emerge without early elections, the only chance is to search for somebody who is not a member of a political party," he said.

Mr Havel said yesterday he was not in favour of early elections. The fall of Mr Klaus has been a possibility since the centre right coalition lost its majority in elections last year. However, the final push was given by allegations that he had turned a blind eye to an illegal donation of K27.5m (\$220,000) and that there existed a Swiss bank account containing K170m in corporate donations given in return for favours.

Two donations totalling K27.5m had long been known to be under fictitious names, which is illegal, but the leadership denied knowing the identity of the donor. Milan Srejber, a Czech businessman, revealed this week that he had given the money shortly after winning the privatisation tender for a Czech steelworks in 1995.

## NCR tries 'eyepoint' technology in cash machines

By Christopher Brown-Humes in London

Your "eyepoint" could eventually replace your PIN number as a way to authorise cash machine transactions. Nationwide, the UK's biggest building society, will this week announce plans to carry out the first customer trials in the world using iris recognition technology.

The technology is seen as more secure than a four-digit personal identification number, as it could allow customers to withdraw bigger amounts from cash machines and benefit from a wider range of services.

Nationwide will test the technology at several automated teller machines and a branch counter at its Swindon, England headquarters over the next six months.

The trials will be carried out with NCR Financial Services, a world leader in automated teller machines - ATMs - and use technology developed by a US group, Sensor Inc.

On first use, a camera at the cash machine will take a photograph of your iris - the coloured part of the eye - and store the information on a database. It takes a further photograph every time you use the machine to obtain a match and allow the transaction to proceed.

NCR says the technology is not obtrusive and does not involve laser lights. The transaction should take no longer to authorise than with a PIN number, it adds.

Tom Drury, president of Sensor Inc, said: "We think it will change the way people do banking."

Brian Davis, chief executive of Nationwide, said: "We are constantly looking at ways to improve the service we can provide to our customers and it will be fascinating to test reaction to the Sensor technology." The society has more than 700 branches and 7m customers.

Citibank, the US bank, is also seriously interested in the technology and has separately signed an agreement with Sensor.

NCR says the iris is the one part of the body which is both unique and constant throughout a person's life.

It says bank customers could eventually use ATMs for many purposes other than cash withdrawal, including obtaining airline and cinema tickets and drawing down loans.

A key area of focus will be the machine's false rejection rate - when it refuses to authorise a transaction with a bona fide customer. Sensor says this is "less than 1 per cent and improving".

## THE LEX COLUMN

### Japanese numerology

Are the Japanese a superstitious people? During the current financial crisis, whenever a share has slipped below ¥100 the market has concluded it is on the critical list. Three financial groups - Yamachi Securities, Hokkaido Tokushoku Bank and Sanyo Securities - have closed shortly after dipping below the magic number. Another four brokers are under ¥100 and four just above, leading many to believe further closures are on the way.

On the face of it, such fixation on a round number looks irrational. If it did matter, a company with ¥100 shares could simply consolidate two for one - making its stock worth ¥200 and effortlessly escaping the danger zone. Yet the group's underlying value would be unchanged.

Still, it would be a mistake to dismiss this as hocum-pocum. Each stock market has a range in which investors feel comfortable. In the US, penny shares have a justifiable reputation as high-risk investments, while stocks above \$100 are often split. In Japan during the late 1980s, the bottom end of the comfort zone was only ¥500. It is a measure of the market's collapse that the level is now ¥100. Especially for retail investors who own a substantial proportion of Japanese brokers' stock such psychological markers matter.

With brokers 85 per cent below their 1987 peak, the market is certainly discounting a dismal future. Many have posted six years of losses and continue to struggle with low trading volumes, weak pricing and intense foreign competition. Despite the failures of Sanyo and Yamachi, overcapacity remains. Only a few seem willing to cut costs aggressively enough to secure a viable independent future. The rest will go bankrupt, merge or be absorbed into banks.

### Investment banking

The love affair between investment banks and fund managers - as evidenced, most recently, by Merrill Lynch's bid for Mercury Asset Management - may seem curious. After all, there is no synergy between corporate finance and institutional fund management. In fact, there is arguably negative synergy in putting them together given the potential conflicts of interest: fund managers often have to tread carefully, on corporate governance, for example, so as not to anger the clients of the corporate finance arm.

That certainly was one of the arguments for MAM demerging from S.G. Warburg in the first place.

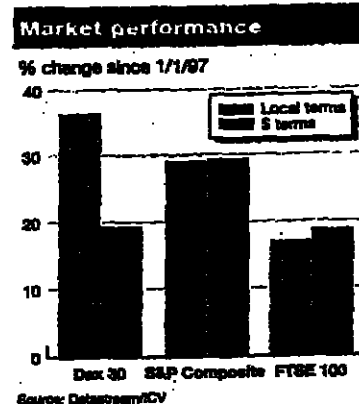
Also, ask most investment bankers why they are so keen to own fund managers and the response has precious little to do with industrial logic. Banks such as Goldman Sachs, Schroders and Flemings like the (relatively) steady stream of fund management earnings to counterbalance volatile investment banking profits. And with these particular institutions - the first a partnership and the other two family controlled - there is a sort of financial logic. After all, they cannot diversify their wealth quite as easily as ordinary portfolio investors.

That said, the argument is not compelling: if all they were interested in was a financial cushion, it would probably be more sensible to stuff their balance sheets with even less volatile cash rather than fund management assets.

Merrill, though, is a different kettle of fish because it has not just fund management and corporate finance, but a third piece to the puzzle - a retail distribution network. Given that the costs are largely fixed, it makes sense to pump multiple products down the network. In addition to offering its retail investors the chance to participate in issues it underwrites, why not sell them mutual funds too?

Merrill, of course, already does this with both its own branded funds as well as independently managed ones. MAM will provide it with a second brand - particularly useful in international markets where Merrill itself is weak.

Owning two brands while juggling multiple independent ones may seem a bit muddled. It will certainly require clever marketing and deft management. But the business model is really no different from that of many successful retailers which reap high margins from their own brands while stocking independent products for variety. The same logic, of course, applies to other investment banks with retail networks. It will not be surprising if Morgan Stanley/Dean Witter and Salomon/Smith Barney follow suit.



Source: Datastream/ICI

from that of many successful retailers which reap high margins from their own brands while stocking independent products for variety. The same logic, of course, applies to other investment banks with retail networks. It will not be surprising if Morgan Stanley/Dean Witter and Salomon/Smith Barney follow suit.

### German shares

The D-mark's 6 per cent rise against the dollar since its August trough has taken some of the shine off the golden scenario that German equities have been enjoying. Since March 1996, when the dollar started to strengthen, the DAX 30 index has more than doubled in value. A rising currency - added to Asia's problems - could spell trouble for an index heavily weighted towards tradable goods. Indeed, the DAX has lost around 8 per cent of its value since the currency turned.

The point has not been lost on foreign investors. Having put a record net \$36bn into the market between January and September, they are now pulling back. According to estimates from CSFB, foreigners have sold \$3.5bn of German equities in the past two months.

Many analysts think they have been too hasty. They argue that concentrating on the currency alone ignores the market's rise - has supported the market's rise - however, clear that restructuring, which is far from uniform throughout German industry, will be enough to keep the market moving.

What is clear is that the benefits of recent restructuring are encouraging analysts to hold their forecasts despite the D-mark's rise. German unit labour costs, for instance, are down on the year and wages are almost static, figures which suggest German industry can bear some measure of currency appreciation. And do not forget that the D-mark is still 14 per cent weaker against the dollar than at the start of the year.

Still, the heady days of the past two years are almost certainly over. Earnings growth is likely to slow from 25 per cent or more this year to about 15 per cent in 1998. That is broadly in line with other European markets but, with Germany's earnings momentum more sharply downward, its 18 times price/earnings multiple for 1998 could be vulnerable. Having been a star performer this year, the risks are now on the downside.

## PW and Coopers' partners back global merger plans

By Jim Kelly in London

Price Waterhouse and Coopers & Lybrand will today announce that partners have "overwhelmingly" backed their global merger proposals and predict that if regulators agree to the plans 60,000 jobs will be created in Europe by 2003.

Details of the ballot among the 8,500 partners were not announced but it is understood the merger won more than 85 per cent backing in most large fee-earning practices.

"They didn't just support it, they whammed it through," said Ian Brindle, senior partner in the UK for Price Waterhouse and a member of the global management team that would run what would be the world's biggest professional services firm.

The formal merger proposals will be presented to competition authorities in Brussels today. Coopers and PW believe that the EU authorities represent the biggest potential hurdle to their plans. The firms said the proposals would assist expansion of the European Community and said they had already invested \$100m in central and eastern Europe over the last five years.

They expected the workforce - already 48,000 people across the Continent - to grow towards 100,000 in five years at a growth rate approaching 30 per cent a year.

The backing of partners for the merger and the start of the formal regulatory process will give the firms the opportunity to attack merger plans announced by Ernst & Young and KPMG - another two of the so-called global Big Six accountancy firms.

They see these plans as a "spoiler" to increase pressure on regulators to block the deal. Peter Smith, chairman of Coopers in the UK and another member of the global management team, said the E&Y-KPMG plans appeared sketchy, informal and limited. "It's a bit like trying to grab a piece of soap," he said.

"Our submission to the Brussels regulators shows our enthusiasm and commitment," he added.

In New York, Nick Moore of Coopers, the new global firm's prospective chairman, and Jim Schiro of PW, its prospective chief executive, were preparing to issue a joint statement today welcoming the vote and forecasting regulatory approval for the merger "early in 1998".

It is understood all the big national practices - including the US and UK - backed the proposals, but competitors among the Big Six firms still hope to pick up rebel firms - possibly in central or south America.

"We hope to have some good news soon," said one senior executive with a Big Six firm.

The formal submission from Coopers and PW will begin a 30-day examination by competition authorities in Brussels which will probably lead to a full inquiry into the merger proposals.

## Opec ministers agree to boost output

Continued from Page 1

Arab Emirates, have until recently stuck to their quotas. In doing so, they ceded the growth in world oil demand to other member states or to non-

Opec rivals such as Norway. Iran's move to open its petroleum sector was seen as a further challenge to the unilateral US sanctions policy aimed at cutting international financial support to the country's

oil and gas industry.

Mr Zangeneh said Tehran expected to announce \$5bn worth of foreign investments in the country's onshore and offshore oil sector over the coming year.

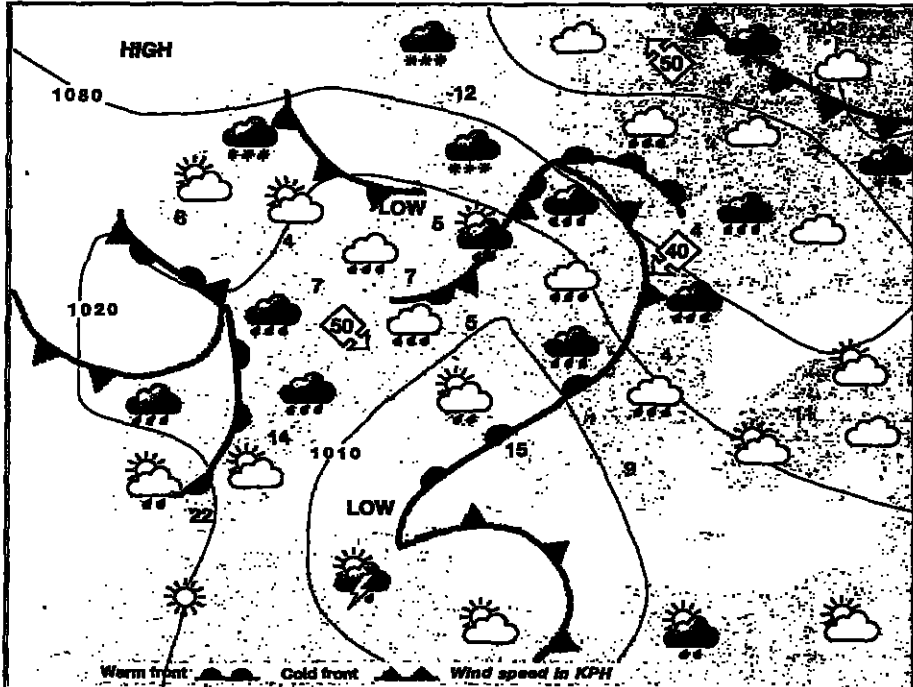
### FT WEATHER GUIDE

#### Europe today

Scandinavia will be very cold and most places will have snow with Sweden and Finland having heavy falls. Southern Sweden and the Baltic states will become milder with snow turning to rain. Central and western Europe will be grey and damp with drizzle but eastern Europe and the Balkans will have heavier rain. The north will become brighter but showers are still likely. Southern France and much of the Iberian Peninsula will be sunny but northern parts will become cloudy and wet. Italy and Greece will also see rain, with heavy showers and scattered thunderstorms.

#### Five-day forecast

High pressure will provide north-western Europe with settled conditions. In the second half of the week, a disturbance will move into western Europe causing increasing cloud, showers and rain. The Mediterranean will be settled.



#### TODAY'S TEMPERATURES

Abu Dhabi	Medum	Belling	Sun 1	Cardiff	Rain 7	Frankfurt	Sleet 4	Madrid	Fair 14	Rangoon	Sun 25
Accra	Sun 28	Belfast	Sun 10	Casablanca	Sun 20	Geneva	Sun 19	Melbora	Fair 18	Raykjavik	Fair 1
Algiers	Fair 31	Chicago	Sun 6	Glasgow	Fair 7	Glasgow	Fair 5	Manchester	Thunder 17	Rio	Fair 27
Amsterdam	Thunder 18	Hamburg	Fair 29	Helsinki	Snow -4	Helsinki	Snow -4	Malbourne	Fair 24	Singapore	Shower 15
Antwerp	Thunder 17	Hong Kong	Fair 23	Hong Kong	Fair 23	Hong Kong	Fair 23	Stockholm	Fair 25	S. Frisco	Fair 17
Athens	Thunder 17	London	Fair 15	London	Fair 15	London	Fair 15	Stockholm	Fair 25	S. Frisco	Fair 17
Atlanta	Sun 16	Madrid	Fair 14	Madrid	Fair 14	Madrid	Fair 14	Stockholm	Fair 25	S. Frisco	Fair 17
B. Aires	Fair 22	Manila	Fair 27	Manila	Fair 27	Manila	Fair 27	Stockholm	Fair 25	S. Frisco	Fair 17
Bahia	Fair 26	Moscow	Fair 10	Moscow	Fair 10	Moscow	Fair 10	Stockholm	Fair 25	S. Frisco	Fair 17
Bangkok	Fair 36	Munich	Thunder 22	Munich	Thunder 22	Munich	Thunder 22	Stockholm	Fair 25	S. Frisco	Fair 17
Berlin	Fair 17	Nairobi	Thunder 22	Nairobi	Thunder 22	Nairobi	Thunder 22	Stockholm	Fair 25	S. Frisco	Fair 17
		Naples	Thunder 22	Naples	Thunder 22	Naples	Thunder 22	Stockholm	Fair 25	S. Frisco	Fair 17
		Nice	Fair 20	Nice	Fair 20	Nice	Fair 20	Stockholm	Fair 25	S. Frisco	Fair 17
		Norwich	Fair 17	Norwich	Fair 17	Norwich	Fair 17	Stockholm	Fair 25	S. Frisco	Fair 17
		Osaka	Fair 17	Osaka	Fair 17	Osaka	Fair 17	Stockholm	Fair 25	S. Frisco	Fair 17
		Paris	Fair 17	Paris	Fair 17	Paris	Fair 17	Stockholm	Fair 25	S. Frisco	Fair 17
		Perth	Fair 17	Perth	Fair 17	Perth	Fair 17	Stockholm	Fair 25	S. Frisco	Fair 17
		Prague	Fair 17	Prague	Fair 17	Prague	Fair 17	Stockholm	Fair 25	S. Frisco	Fair 17

We can't change the weather. But we can always take you where you want to go.

**Lufthansa**

This announcement appears as a matter of record only.

November 1997

**FROGMORE**  
ESTATES PLC

£100,000,000

8% Notes due 2007

Issue Price 99.313%

NatWest Markets

SBC Warburg Dillon Read

Issued by National Westminster Bank PLC, regulated by the SFA and SMC for investment business in the UK





## COMPANIES AND FINANCE

## BSkyB plans to make films for TV

By John Gapper,  
Media Editor

British Sky Broadcasting, the UK satellite television company, intends to start making made-for-television films with budgets of up to \$5m (\$8.4m) as part of an effort to expand its investment in British programming under Mark Booth, its new chief executive.

In his first interview since taking over from Sam Chisholm last month, Mr Booth said BSKyB was about to hire executives to oversee investments in made-for-television films.

In the longer term, it might set up a subsidiary similar to Time Warner's Home Box Office operation.

Mr Booth also disclosed that BSKyB is to split control of its programme networks, such as Sky One and Sky Sports, from its satellite broadcast service, in an attempt to improve its discipline over costs and revenues.

He indicated there was likely to be further turnover within BSKyB's senior management.

"The key people we want

to stay are staying, but there are some parts of the company that could be much more effective than in the past, and there will be changes," he said.

Mr Booth, who was previously chief operating officer of News Corporation's JSkyB Japanese satellite television joint venture, wants to improve the marketing of BSKyB to consumers who are not interested in sport, on which much of its growth to date has been based.

He said there would be a gradual increase in the

amount of money invested in original British programmes, both for its Sky One entertainment channel and for its Sky Movies channels.

"Some films will be financed by ourselves and some with others, depending on how good the ideas are. We are going to start modestly, and walk before we can run, but we know how to manage creative people and this is an obvious and important growth area," he said.

Mr Booth confirmed that BSKyB had held discussions with some UK production

companies about taking minority stakes, but said it was unlikely to proceed. "If you invest in one, it sometimes makes it harder to deal with the others, so I think it is unlikely," he said.

BSkyB intends gradually to raise its investment in UK programming for Sky One, which has put more emphasis on imported US programmes.

Mr Booth said the increase in UK programmes would be evolutionary rather than radical but it would invest significant amounts.

## Liberty plans to transform its store

By Robert Wright

A plan by the management of Liberty, the luxury London department store, to open a rooftop restaurant, introduce a food hall and start a range of new services has become the latest focus for criticism by dissident shareholders.

Details of the \$43m (\$72m) development of the Regent Street store have been given at presentations in the run-up to a December 11 EGM. Dissidents holding 47 per cent of the shares aim to depose Denis Cassidy, chairman, and to install their own representatives.

Brian Myerson, whose Concerto Capital Corporation holds 17 per cent of the shares, and Odile Griffith, financial adviser to the Stewart-Liberty family, which holds 27 per cent, are seeking election to the board. Manny Davidson, a property developer and associate of Mr Myerson, has also pledged his 2.8 per cent stake for the dissidents.

They are angry with the amount of information provided by the board about the redevelopment. They claim that no rationale has been provided to justify opening the unused upper floors of one of the three buildings on the store site.

The dissidents claim the management's plans threaten the unique atmosphere of the store.

Shareholders also heard that money would be spent on providing left luggage facilities, rooms for beauty treatments, personal shopping services and improved ventilation and lighting. Offices at the Regent Street building would be moved to a third building on the site, which is almost empty.

The presentations last week came as Prudential, the insurance company, declared publicly that it would back the existing board. The management is also believed to have been encouraged by shareholder reactions to briefings.

## NEWS DIGEST

## Albert Fisher dismisses report

Albert Fisher, the UK food group struggling to reverse a lengthy slide in its share price, has brushed off accusations of poor corporate governance. A report by Manifest, the proxy voting agency, queries the independence of two directors and highlights the involvement of Stephen Walls, executive chairman, in setting bonus targets for other executives.

Manifest points out that Ian Quinlan, finance director, was a partner with Ernst & Young, now the company's auditors, and that Ali Wambold, a non-executive director, is a founder and director of Corporate Partners, which owns 6.66 per cent of Albert Fisher's shares.

Albert Fisher described the questions over the two directors as "absolute non-starters", saying the two had been directors since 1988 and 1990 respectively. The group said Mr Walls had given notice of his plan to take a non-executive role, once Albert Fisher has sold the rest of its seafood division and completed its capital restructuring. "For Manifest to raise this now is just irrelevant."

Andrew Edgecliffe-Johnson

## Granada French M-way sale

Granada, the UK television and leisure company, will today announce it has sold its French motorway service stations for FFY82m (\$138m) to Autogrill, the Milan-listed roadside restaurant chain.

Côté France was acquired through last year's \$3.9bn hostile takeover of Forte. The disposal follows the sale in February, for monopoly reasons, of Forte's Welcome Break chain of UK motorway service areas to Investcorp, the Bahrain-based investment group, for £476m.

Autogrill, which is controlled by Italy's Benetton family, is understood to have trumped offers by two other bidders for the 43-site chain.

Scheherazade Dameshikhu

## NatWest Equity in £38m buy

NatWest Equity Partners will today announce the £38m (\$63.5m) acquisition of Artform International, a UK designer and manufacturer of retail displays.

Artform's existing management and David Martin, its new chief executive, are together investing £7.6m to take a 20 per cent stake. The name of the private vendor, who was also chief executive, was not disclosed, but he will remain as a consultant to the company.

Mr Martin said the company would look for acquisitions as well as organic growth, having recorded average annual growth of 20 per cent for the past five years.

Artform supplies "point of purchase" display units to customers including Boots, Cadbury and L'Oréal. Colin Stirling, an associate of the deal was growth in the point of purchase market. The company has a joint venture with a Parisian designer and a third of its turnover comes from exports to 17 European countries.

NatWest Equity Partners' Leeds office led the transaction, with senior debt facilities from NM Rothschild and mezzanine funding from ABN Amro Causeway Mezzanine.

Andrew Edgecliffe-Johnson

## Gartmore wins mandates

Gartmore, the fund management company bought by National Westminster Bank some 18 months ago, has been awarded index-tracking mandates worth more than £180m (\$301m) by pension funds.

Jane Martinson

## Eastern promise for Provident

By George Graham,  
Banking Editor

Provident Financial, the UK's leading collected credit company, is on the point of starting lending in the Czech Republic and may turn its sights to Hungary.

Howard Bell, chief executive, said Provident had received approval from the Czech authorities and hoped to begin lending in koruna by the turn of the year.

The new venture follows the launch of a lending business in Poland this summer. Since its founding in 1980, Provident had never ventured further afield than Ireland.

"We sat down and looked overseas, and it was clear our target areas should be places where the financial system was less well developed," said Mr Bell.

The eastern European businesses replicate Provident's business model in the UK, where a network of agents makes unsecured loans averaging £200 (\$334) or less, and collects weekly repayments in cash. Women make up 80 per cent of both agents and customers, and credit assessment is by personal judgment, rather than by the scorecards used by banks and consumer credit companies.

In Poland, Provident began in a joint venture

with BEN, a local commercial bank which provides wholesale funds to be lent on through a network of 20 agents. So far, Provident had recruited 185 customers, which Mr Bell acknowledged was "little acorns".

In the UK, Provident is also experimenting with a broader range of financial products.

It has introduced a simple whole life assurance policy underwritten by Pinnacle Insurance, with a standard £120 a year premium. The pay-out is determined according to age and sex, and to whether the policyholder is a smoker.

Provident sold 6,000 policies in a trial run, and is now assessing whether it has set the underwriting criteria correctly. "It's a nice simple product which the industrial life people are moving away from," Mr Bell said.

Collected credit companies are often criticised for the high costs they charge to borrowers. Mr Bell said many customers had access to other sources of credit but chose Provident because of the individual service provided.

"It's the same philosophy as the milkman. I still like my milk delivered, even though I know it's more expensive than picking it up at the supermarket."



The UK Civil Aviation Authority will today hear rival bids for the final 'gateway'

## BA and Virgin poised to lock horns over US route

By Andrew  
Edgecliffe-Johnson

The bitter rivalry between British Airways and Virgin Atlantic is expected to flare up again today when the two clash over the last non-stop route between Britain and the US.

The two companies will go before the UK Civil Aviation Authority with rival bids for sole rights to the route. BA has applied to fly from Gatwick airport to Denver, Colorado. Virgin is seeking

permission for a twice-weekly flight from Gatwick to Las Vegas, Nevada, which it hopes to build up to a daily service.

BA has cited an increase in leisure and business demand as a reason for opening up the Denver route, which has not had a non-stop service for two years.

Richard Branson, Virgin's chairman, will tell the hearing that Las Vegas is the fastest growing business centre in the US, with strong demand for family tourism.

Virgin, the smaller company with flights to eight US cities against BA's 22 cities, argues that it should be awarded the route to promote diversity in the long-haul market.

BA counters that Denver attracts more UK passengers each year. The bilateral air services trade agreement between Britain and the US limits the number of "gateways" into the US. The two companies expect a decision before Christmas.

# WHERE TO MAKE PROFITS?

## Where to make profits?

In Rhône-Alpes. A region of France with a population of over five million, the gateway to Germany, Italy, Switzerland and Spain. A truly record-breaking region, host to the 1992 Winter Olympics and site of the Mont Blanc, Europe's highest peak.

Lyons, the region's cosmopolitan city, and a dense network of dynamic towns (Grenoble, Saint Etienne, Valence, Annecy, Privas, Chambéry etc.) make Rhône-Alpes an ideal centre for trade and communication. 180 million Europeans can be reached in one day by truck and the capitals of Europe are only two hours away by plane. Conveniently located in the heart of the TGV high speed train network, this centre of excellence with more than 20,000 researchers is less than two hours away from Paris.

If your company is as dynamic as our region, then you have every reason to be successful in Rhône-Alpes. To find out more, contact:

Jérôme PUPAT

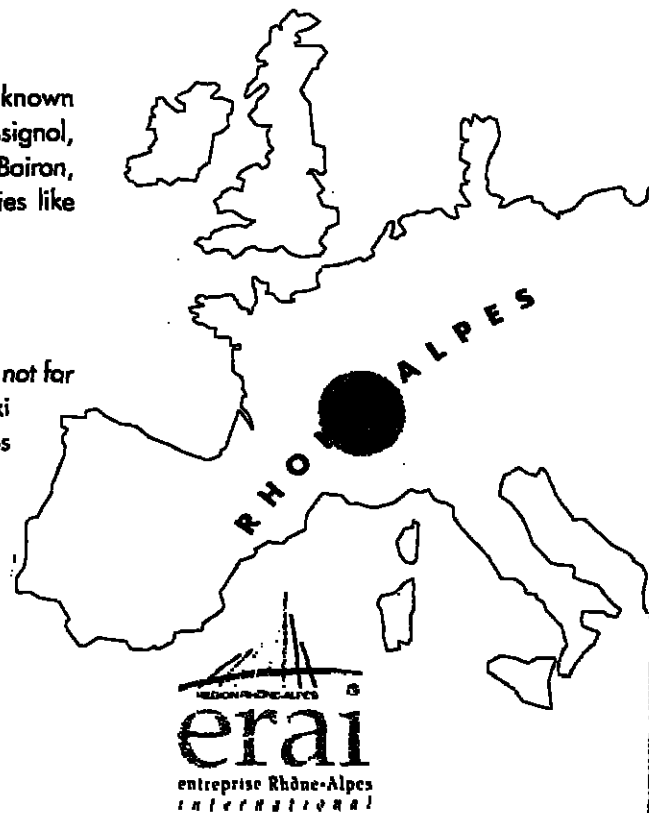
## Where to be successful?

In Rhône-Alpes. The birthplace of such well-known names as BSN, Rhône Poulenc, Salomon, Rossignol, the Mérieux Institute, Cap Gemini Sogeti and Boiron, Rhône-Alpes is now home to thriving companies like Hewlett Packard, Ikea, ICI and Ciba Geigy.

## Where to enjoy life?

In Rhône-Alpes. In the heart of the Rhône Valley not far from Provence. The greatest concentration of ski runs in the world. Gourmet cuisine made famous by such names as Bocuse, Troisgros and Chapel.

Rhône-Alpes: the place to mix business and pleasure.





## Volvo focuses on east Europe

By Haig Simonian,  
recently in Gothenburg

Volvo, the Swedish vehicles group, is to scale back its big growth plans for Asia and refocus short-term investment priorities on eastern Europe.

Leif Johansson, chief executive, said in an interview: "In the longer term, Asia is still our focal area. But in the next three to five years, there are many more opportunities in eastern Europe."

Volvo is one of the first large western companies with big ambitions in Asia to admit to a reappraisal after

recent economic turmoil in the region. Under Soren Gyll, its former head, the group had said it wanted to exploit the immense potential for luxury cars and commercial vehicles in the region.

Mr Johansson, said Volvo remained positive on longer term prospects in Asia: "We would definitely look into any opportunities which might come up there". But recent events meant eastern Europe would take precedence now. "I have done a lot of business in eastern Europe and know the countries well. We are strongly encouraging our different divisions to go east."

He saw the biggest opportunities in commercial vehicles and construction equipment in view of infrastructure investment in the region. Volvo this year completed a truck and bus assembly plant at Wroclaw in Poland, and was considering both joint ventures and greenfield investments.

However, his preference was for new sites: "You have to accept that, when it comes to an existing structure, you buy into a culture which could be good, but which you may have to change eventually."

Separately, Mr Johansson dismissed recent press reports about

links with Volkswagen of Germany: "We have no information or any indication that gives any substance to these rumours."

However, he confirmed discussions between Volvo, Mitsubishi Motors of Japan and the Netherlands government were proceeding well on buying the Netherlands' stake in the NedCar passenger car joint venture.

NedCar - one of growing list of alliances between Volvo and Mitsubishi - has been viewed by some analysts as heralding closer links between the two companies which might eventually lead to a merger.

## Shake-up pushes Bezeq into red

By Judy Dempsey  
in Jerusalem

Bezeq, Israel's state-controlled telecommunications company, yesterday reported heavy losses for the first nine months of the year after taking a Shk1bn (\$282m) write-off for a restructuring programme.

Net losses over the period amounted to Shk265.8m compared with a net profit of Shk493.7m last year. Operating income rose from Shk1.1bn to Shk1.12bn in spite of a decrease of Shk317.4m in operating income from the international telecommunications sector.

Earnings per share plunged to a loss of Shk0.36 compared with a gain of Shk0.67 over the same period last year.

The opening of the international telephone sector eroded profits, particularly over the third quarter. Compared with the same period last year, net profits fell from Shk161.9m to Shk148.3m and operating profits dropped from Shk430.1m to Shk312.6m.

Until recently, revenues from international calls accounted for nearly 30 per cent of Bezeq's total revenues which last year amounted to Shk8.3bn. Since the market opened last July, Bezeq's market share has halved. Operating income from the sector over the third quarter has fallen by Shk225.4m compared with the same period last year.

Revenues over the nine months held up, slipping from Shk6.50bn to Shk6.45bn. The Shk1bn write off involves provisions for early retirement for 1,800 of the 9,000-strong workforce.

The state owns more than 62 per cent of Bezeq with the remainder held by Cable and Wireless, the UK telecoms company. Merrill Lynch, the US investment bank, and the public.

Greg McIvor

## INTERNATIONAL NEWS DIGEST

### Philcom pulls out of Piltel deal

Piltel, the Philippines' second largest cellular phone group, is facing financial pressure, following the decision by Philcom, a local telephone company, not to pay for its acquisition of a 20 per cent stake in the group worth 5.17bn pesos (\$148.4m).

After an initial payment of 10 per cent of the purchase price, Philcom was due to pay the balance by the end of November. On Friday, citing "unstable" market conditions amid the Asian crisis, it admitted it was not going to do so. Philcom had intended to raise funds for the purchase overseas but was informed by its banker that the underwriting agreement had been cancelled.

In a letter to Piltel, Jose Laraya, chief executive of Philcom, stressed the group still intended to proceed with the deal at a later date. "We believe that the current state of financial markets will not persist forever and at some point in the future when market conditions stabilise, we believe that funding can be raised for Philcom's acquisition of Piltel shares," he said.

The collapse of the deal was caused by the battering of the Manila stock market in recent months. When the two companies announced the deal in April, Philcom agreed to buy Piltel shares at 20 pesos each, a premium to the then trading price of 14.25 pesos. The regional markets crisis, however, has since slashed valuations. On Friday, shares in Piltel closed at 3.85 pesos, down 85 cents.

Analysis warned the failure of Piltel to secure the cash injection left it dependent on PLDT, its major shareholder and the country's largest telecoms group, or the capital markets. Piltel was earmarking the funds for pre-paying short-term debts. The group has expressed confidence that PLDT will help its financing requirements.

Philcom's decision not to pay for the stake comes amid difficult times for Piltel. Profits in the first nine months slumped 88 per cent to 230m pesos after increased provisions for bad debts coming from delinquent subscribers.

Justin Maruzzi, Manila

## ■ SPAIN

### Crédit Suisse arm fined

The Comisión Nacional del Mercado de Valores, Spain's stock market regulator, has fined Crédit Suisse Financier Products of the UK Pta285m (\$1.91m) in connection with share manipulation charges. The fine, one of the toughest levied by the market watchdog, followed an inquiry into the sudden collapse on December 27 1996 of the Ibox-30 index, which represents Spain's most traded stocks.

The investigation centred on a swap operation with a fund managed by a leading Spanish bank that was backed by an Ibox index futures contract.

Tom Burns, Madrid

## ■ PHARMACEUTICALS

### Schering sees record profit for year

Schering, the German pharmaceuticals company, announced a 25 per cent rise in the dividend payment for 1997, to DM2.50, as it forecast record profits for the year. It also said it would pass on DM70m to employees as part of a profit-sharing scheme.

Schering expects a more than 20 per cent rise in net profits for the full year. At the nine-month stage, net profits were DM350m (\$198.4m), up 23 per cent. Full-year sales are expected to be about DM6.3bn.

Frederick Stüdemann, Berlin

## Clouds begin to lift in Trustor fraud inquiry

For the past month, the Swedish police inquiry into an alleged SKr620m (\$80.3m) fraud at Trustor, the quoted investment company bought by UK investor Lord Moyne in June, has raised more questions than answers.

The work of piecing together the transactions behind one of the biggest scams at a Swedish listed company is not yet complete as prosecutors continue to unravel a complex web of offshore bank accounts, shell companies and shady international dealing.

But with two Swedes in custody and some participants now willing to talk, the train of events is now becoming clearer.

At the fore is Lord Moyne, formerly Jonathan Guinness of the UK drinks family, who now admits to being the "front" for a group of Swedes - among them a convicted fraudster. Lord Moyne confesses he lied about his motives for entering Trustor at the time he acquired his stake, maintaining then that he was acting on behalf of no-one but himself.

After being interviewed by Sweden's state prosecutor last week, Lord Moyne told the Financial Times he was helping fully with inquiries and was confident of clearing his name "with honour".

Speaking at the plush London offices of Guinness Management, the company he

runs with Lindsay Smallbone, former Trustor chief executive, Lord Moyne declared himself so chastened that he would not "do any business again".

He traced his involvement in Trustor to Peter Mattsson, a Swedish former business associate now on remand in Stockholm. He says Mr Mattsson, Thomas Jisander - also now in custody - and Joachim Posener, also known by the surnames Falk and Rolfsen, asked him to pose as figurehead for their purchase of Trustor. He was to be paid a fee for his services.

Lord Moyne believes the SKr240m cost of his stake was raised by Mr Posener, who earlier this year completed a prison sentence for fraud. It is thought to have been at least partly funded from Trustor's own assets.

The plan was to build stakes in a string of Nordic investments using Trustor's money. One target was Amer, the Finnish sporting goods group. The idea - again - was for Lord Moyne to pose as purchaser.

At the end of June, Lord Moyne lodged SKr288m with van Lanschot bank in Luxembourg to convince Amer's shareholders of his financial means. He now admits this money was not his, but was a two-day loan raised by his Swedish associates as "window-dressing". The purchase fell through, however,

because Lord Moyne and his team aroused Amer management's suspicions.

The Guinness peer said he detected signs that things were not right with the way Trustor was being run but "I kidded myself all the way through". Only when newspapers broke the story of the alleged fraud did the penny apparently drop.

At this point, he maintains, he acted swiftly to secure Trustor's funds. He agreed to a plan by Mr Mattsson and Mr Jisander that he would personally deposit SKr417m at van Lanschot. The idea was to reassure investigators there was no hole in Trustor's accounts and then withdraw the money two days later.

Lord Moyne said he then ordered the money to be kept at the bank beyond that date, in effect double-crossing the Swedes. Mr Smallbone, who also maintains he is the victim of a deception, said he attempted to transfer the money to Trustor's account at Barclays in London to make it "safe".

This plan was foiled, however, when Björn Björnsson, representing Trustor's minority shareholders, ordered van Lanschot to freeze the account. In spite of the freezing order, it is unclear if the SKr417m remains in the account.

Mr Smallbone is bitter at his subsequent treatment by



Lord Moyne: admits to being front man in share deals

Trustor's minority shareholders. He was ousted from the board along with Lord Moyne last week and received a fax threatening him with "measures civil and criminal" unless he complied with minority shareholders' wishes.

"I have not gained personally from this," he said. He stressed that it was he - not Trustor's new management - who sold Trustor's two automotive component subsidiaries for SKr890m,

some SKr540m more than they were valued at by auditors in September. Mr Smallbone also pointed out the abiding irony of the Trustor case: that because of, rather than in spite of, Lord Moyne entering the scene, the company's net asset value has actually risen. When the shares, suspended for one month, restarted trading on Friday they surged 30 per cent.

world trade center

November 28, 1997 is X-Day. The starting date for Xetra®, Deutsche Börse's new, fully-computerized "world trade center", permitting direct, faster and more cost-efficient access to the German cash market. Trading on Xetra® will start with the DAX® blue chips and MDAX®

mid caps. The basis for global, decentralized trading has been created. Xetra® offers what the market has been looking for: concentration of liquidity into one centralized, transparent order book per security. Buy and sell orders are matched automatically.

More than 200 participants from Germany and abroad have signed on for the start. Interested? Hotline: +49-69-2101-3940

Your access to success

Deutsche  
Börse



FINANCIAL TIMES  
Financial Publishing

Providing essential information and objective  
analysis for the global financial industry

## The FT Fraud Report

- ♦ Money laundering ♦ IT and computer fraud
- ♦ VAT and customs fraud ♦ Accounting fraud
- ♦ International commercial crime
- ♦ Financial Services fraud
- ♦ Tax fraud and corporate issues
- ♦ Derivatives and securities
- ♦ Fraud and the media ♦ Banking fraud
- ♦ Fraud investigations ♦ Fraud case reporting
- ♦ Procurement fraud ♦ Offshore financial fraud

The FT Fraud Report will help you to  
meet your responsibilities in detecting  
and preventing fraud.

Subscribe now.

Ten issues a year. £350 (UK) £380/US\$570 (ROW)

Call +44 (0) 171 896 2314  
or fax +44 (0) 171 896 2274  
for a free sample copy.

Or order direct from:  
FT Financial Publishing, Maple House,  
149 Tottenham Court Road, London W1P 9LL, UK.

## COMPANIES AND FINANCE

# Anglo eases link with De Beers

By Kenneth Gooding,  
Mining Correspondent

Anglo American, South Africa's biggest company, is giving up its direct interest in sister company De Beers to reduce the chance that Anglo's global ambitions will be challenged by US anti-trust authorities.

De Beers is a target for the US authorities not only because it organises the international diamond producers' cartel but also because it has been accused

of fixing prices of industrial diamonds with its rival, General Electric of the US.

Although the case two years ago was thrown out by a judge even before evidence was given for the defence, there is an indictment against De Beers still on the books. No senior executives of De Beers visit the US, even in a personal capacity.

Nicky Oppenheimer, chairman-elect of De Beers, said recently that De Beers had structured its operations in such a way as to never do

business in the US, so the Justice Department would not have any jurisdiction over it. "There is a worry that, if a De Beers director went to the US, the Justice Department might be able to serve papers on him and claim jurisdiction, so that's something we have to be careful about," he explained.

Mr Oppenheimer is also to be chairman of AngloGold, the vehicle into which Anglo is to put all the gold mines it manages to form the world's biggest gold producer.

AngloGold hopes to acquire gold assets from Minorco, Anglo's Luxembourg quoted associate, including some mines in the US. If this goes ahead, it would result in an unusual situation: AngloGold's chairman would not be able to visit its US operations.

As part of the wider restructuring of Anglo American into core, focused companies, announced by the group last week, Anglo will sell its 7 per cent direct interest in De Beers to Anglo

American Investment Trust (Anamint) for new shares, thus putting a buffer between Anglo and De Beers. Anglo will acquire from De Beers its 10 per cent interest in Anamint so ultimately Anglo will hold about 70 per cent of Anamint and Anamint 32.5 per cent of De Beers.

Michael Spicer, Anglo's public affairs adviser, said US anti-trust considerations were partly the behind this change, but there were also other reasons.

## Indian steel group tumbles

By Krishna Guha in Bombay

Soaring borrowing costs and a sharp rise in raw material prices have hit first-half profits at Steel Authority of India, the state-owned company which produces half of India's steel.

Pre-tax profits fell 37 per cent to Rs485m (\$12.56m) in the six months to September 30. Volumes were up 7 per cent, but weak prices restricted revenues, up only 1 per cent at Rs82.2bn.

The company blamed a slump in demand from major steel consuming sectors and a lack of momentum on infrastructure projects. But it said it had made "significant gains" in exports - up from 157,000 tons to 482,000 tons after an aggressive marketing campaign.

It said it had absorbed a Rs5bn increase in coal, oil and freight costs, all of which are regulated by the government. A savings programme of "internal cost reduction" produced Rs3bn savings.

Total operating costs rose 4 per cent to Rs56.8bn, cutting operating margins from 18.2 per cent to 16.9 per cent.

The company was hit by a 35 per cent rise in interest costs to Rs7.2bn following a big increase in borrowing to fund modernisation. Depreciation charges rose 16 per cent to Rs3.7bn.

Analysts said tight cost control had kept SAIL in profit. But the huge cost of modernising old plants would continue to depress results in the second half.

With India's government in turmoil there is little chance of a boost in infrastructure spending which could bail SAIL out.

Moreover SAIL's new found export markets - which accounted for almost the entire increase in sales - are highly vulnerable to price competition from east Asia. South Korea in particular is one of the world's biggest steel producers.

## AGF looked at buying GAN in defence move

By Andrew Jack in Paris

AGF, the French insurance group, considered buying the state-owned insurer GAN in an effort to block the hostile takeover bid launched against it last month by the Italian group Generali.

Executives hoped to accelerate the privatisation of GAN, which is scheduled to be sold by the middle of next year, combining it with AGF into a single powerful French insurer, according to AGF's chairman.

The acquisition would have replied to concerns that AGF and GAN separately were both too small to avoid takeover, but that together they might have been large enough and with a sufficient market capitalisation to prove too costly for Generali or other predators to buy.

However, Dominique Strauss-Kahn, the economics, finance and industry minister, concluded that the French state's privatisation rules - and the watchful eye of the competition authorities in Brussels - would have prevented such an accelerated sale.

The episode sheds new light on the role of the French government in the AGF bid, which has been accused by some critics of deliberately slowing down

the approval of the Generali bid to give AGF time to find a white knight. Mr Strauss-Kahn says the ratification has only been held up because of the technical complexities.

AGF held discussions with a number of financial institutions in France, Europe and the US, in the search for a partner which would help finance the GAN acquisition in exchange for taking a 20 per cent stake in the combined group.

Long before the Generali bid, partly driven by an awareness of its relatively vulnerable position in the rapidly consolidating European insurance market, AGF had held talks with a range of possible partners about a bid for GAN.

It had also launched a formal complaint with Brussels, following the leak of an internal memo written by a civil servant in the EU competition body advising against the approval of AGF as the purchaser of GAN in a privatisation sale.

Some of GAN's property activities have been sold, and the formal offer document for CIC, its banking arm, is expected to be released in the next few days with the objective of a sale to single purchaser by early next year.



Focus now is on improving operational efficiencies and upgrading the infrastructure

## Increasing call volumes help VSNL to 45% rise

By Krishna Guha

Pre-tax profits at VSNL, India's international telecommunications company, rose 45 per cent to Rs6.35bn (\$164.6m) in the first half thanks to a 24 per cent jump in core volume to 801m minutes of calls.

Operating income was up 22 per cent at Rs30.2bn, with growth in calls underpinned by the increasing number of Indian households owning telephones. This was augmented by a 91 per cent rise in other income, principally the invested proceeds of its \$527m GDR issue. Analysts

said the results exceeded expectations.

BK Syngal, chairman, said the company had achieved "strong volume revenue and profits growth". He said it would "focus on constantly improving operational efficiencies and upgrading our infrastructure".

Costs rose 18 per cent to Rs24.1bn while the operating margin rose 2.3 per cent to 20 per cent.

The number of VSNL's internet customers rose 275 per cent to 51,334 and specialist services - including the internet - now account for 6 per cent of revenues. Incoming calls grew faster

than outgoing calls with the incoming-outgoing ratio rising from 2.49 to 1 to 2.83 in the first half.

Greater telephone penetration in India is enabling more expatriate Indians - mostly in the US - to call their families back home. In the short term this is positive for VSNL - which under a revenue-sharing agreement within the department of telecommunications receives Rs10 per minute of conversation for all calls.

But the widening gap increases pressure on India to reduce settlement rates paid by foreign carriers who route calls into the country.

## WORLD INSURANCE REPORT

**World Insurance Report** has a proven record of finding out what readers need to know. No matter what the location, market sector, company or risk, its well-established network of expert correspondents and industry contacts brings you the hard information and concise, accurate and timely analysis you need.

As a subscriber to **World Insurance Report**, you will be kept abreast of:

- Competitors' activities and financial status**
- Potential business and investment opportunities**
- Legal and regulatory changes**
- Latest deals and moves in the marketplace**
- Losses around the world**

To receive a **FREE** sample copy, contact:  
FT Financial Publishing, Maple House,  
149 Tottenham Court Road, London W1P 9LL, UK  
Telephone: +44 (0) 171 896 2290  
Fax: +44 (0) 171 896 2319



FINANCIAL TIMES  
Financial Publishing



The FT can help you reach additional business readers in France. Our link with the French business newspaper, *Les Echos*, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.

For information on rates and further details please telephone:

Toby  
Finden-Crofts  
on  
+44 171 873 4027

## MOVING OVERSEAS?

The *Resident Abroad Survival Kit* contains all the information you need for a painless move abroad. Don't leave the country without it.

Durable folder holds loose-leaf briefing sheets, including step-by-step guidance on:

- UK taxation - advice on tax planning
- National Insurance - your liabilities and entitlements
- Offshore banking and investment - where to invest your money
- UK property - what to do with your house
- Pension planning - options for your retirement
- Employment packages - checking your remuneration package
- Education - schooling options and school fee planning
- Arriving overseas - coping with culture shock, embassy services & local legal requirements
- Useful addresses and further reading

Produced by *Resident Abroad* magazine, the leading title for British expatriates living and working abroad

- ☐ Yes, please send me ☐ copies of *The Resident Abroad Survival Kit* at £24.99 each.
- ☐ I am also interested in subscribing to *Resident Abroad*, please send me further information (applicable only to non-UK residents).

Mr ☐ Ms ☐ Miss ☐ Ms ☐

Nationality

Job Title

Company ☐ Private Address ☐

Country

Postcode

Tel

☐ I enclose a cheque made payable to FT Finance

Please debit my credit card:

Amex ☐

Diners ☐

Visa ☐

Mastercard ☐

Card No

Expiry date

Signature

Date



Please return to:  
*Resident Abroad Survival Kit*,  
FREEPOST SEA 0524,  
Haywards Heath, RH16 3BR  
Tel: 01444 44 55 20  
Fax: 01444 44 55 99 T574B

**The Chase Manhattan Corporation**  
U.S. \$250,000,000  
Floating Rate Subordinated Notes due 2000  
For the three months 28th November, 1997 to 27th February, 1998 the Notes will carry an interest rate of 5.9375% per annum with a coupon amount of U.S. \$150.09 per U.S. \$10,000 principal amount, payable on 27th February, 1998.  
Bankers Trust Company, London Agent Bank

Plant Products (City Bank Public Company Limited)  
LTD (INCORPORATED)  
Incorporated in the United Kingdom  
In accordance with the provisions of the Companies Act 1985  
Certificate of Deposit, dated 1st January 1998  
Interest Period: 28.11.97 - 28.02.98  
Rate of Interest: 6.000% per annum  
Coupon Amount: USD16,811.63  
Net Price of: USD 100.000 each  
London: Forfeiting Asia Limited

الشرق الأوسط



エマージングマーケット  
および資本市場での  
専門金融機関  
ING BARINGS

# FINANCIAL TIMES MARKETS THIS WEEK

At Home in Emerging  
and Capital Markets  
ING BARINGS

Global Investor / Peter Martin

## Handy checklist for doomsday

What is the appropriate investment strategy for the end of the world? Two events in Japan summon this time-honoured conundrum to mind. One is the Kyoto conference on climate change, which raises the spectre of drowning cities and encroaching deserts; the other is the Japanese banking crisis, which creates the possibility of worldwide financial contagion.

In reality, of course, the most serious global consequences of each of these are unlikely to occur. But because the worst-case impact of each of these problems would be so very damaging, it is right to allot them some weight in deciding investment attitudes.

The correct response to the imminent arrival of the

end of the world would be to abandon investment altogether, and focus on consumption. Price/earnings ratios would collapse, as future earnings would be of no value. Today's fish paste would be worth infinitely more than tomorrow's unattainable caviar.

It is a lesser version of this shift in attitudes that is the most worrying implication of the Japanese financial crisis.

As the chart shows, Japanese equities have been relatively stable since their big drop in 1990, reflecting an implicit belief that, whatever the short term problems, in the end things would sort themselves out. The economy would start to grow healthily again, bad debts would be gradually written off, there would be enough

structural reform to revitalise the corporate sector, but not enough to destabilise it in the process.

Events this year – starting with the poor economic response to the spring tax increase, and culminating in the south-east Asian crisis and the collapse of Hokkaido Tokai bank and Yamaguchi – have destroyed that consensus. The conventional framework of value has disappeared along with it.

Faced with the small but real possibility of a wide-spread collapse of the Japanese financial system, it is impossible for investors to put a value on the future streams of earnings from most Japanese companies. Though the biggest and most international companies retain ratings broadly com-

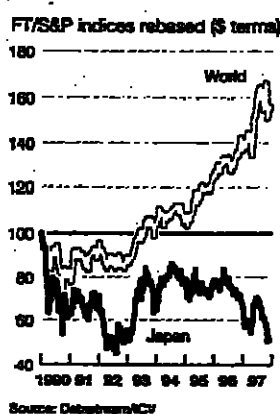
parable with their overseas rivals, most other businesses are trading below book value. The markets may not be discounting the end of the world – but they are certainly discounting the end of the world as we know it.

How should international investors react? The bullish approach would be to increase exposure to well managed domestically oriented Japanese companies – outside the financial sector – on the grounds that the political obstacles that have prevented a Japanese government bail-out of the banks are vanishing. A rescue package for the banking system which was big enough to wipe out past bad debts would remove much of the uncertainty, allowing growth to begin again.

The more pessimistic investor would ask whether the framework of value will reappear in Japan at any time soon – and whether comparable uncertainty may spread to other markets.

In the short run, however, the main impact on western markets is likely to be via interest rates. Flooding the Japanese market with liquidity will push interest rates down even further there. Inflation in Europe and the US will be held down by the cheaper imports from devalued and deflating Asia. Central banks in these economies will be less worried about inflation, and more worried about systemic risks, than they were even three months ago. For the time being, therefore, the Asian crisis will, perversely,

Japan's slide



Total return in local currency to 27/11/97

	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.07	0.07	0.12	0.14
Month	0.47	0.04	0.29	0.29	0.56	0.6
12 months	5.69	0.63	3.34	3.86	6.69	6.94
Bonds 3-5 year						
Week	0.05	0.2	0.26	0.21	0.32	0.51
Month	0.31	0.37	0.81	0.78	1.37	0.43
12 months	6.6	4.31	4.4	4.21	11.45	7.91
Bonds 7-10 year						
Week	-0.16	0.06	0.55	0.41	0.83	0.56
Month	0.83	-0.35	1.68	1.57	2.62	0.51
12 months	7.58	8.37	9.09	7.96	20.36	12.07
Equities						
Week	-0.7	0.7	0.7	0.7	0.2	-0.2
Month	8.3	-5.0	1.0	3.3	0.8	0.9
12 months	28.5	-18.9	38.7	27.8	58.5	22.8

Source: Dean & DeLuca - Lehman Brothers. Equities to FTSE index unit. The FTSE indices are rebased to 100 in 1980. All figures are in local currency.

act as a prop to values elsewhere.

But there is another lesson to bear in mind, this time from the other end-of-the-world risk, climate change. The dangers addressed at the Kyoto conference are beyond the time horizon of most investors. From an investment point of view, therefore, the risk is not so much of long-term climatic disaster, but of short-term

threats to growth from the measures taken to avoid it.

A similar argument applies to Japan's financial crisis. Investors need to take into account not just the remote possibility of systemic collapse but also the implications of the measures likely to be taken to prevent it. As long as the impact of Japanese government policies remains largely domestic – in the form of a trans-

fer from future generations of taxpayers to those bankers who extended unwise loans during the bubble – they are of little consequence to the rest of the world. But if they result, intentionally or as a side-effect, in a sharp devaluation of the yen or a fire-sale of Japanese-held assets around the globe, investors will not be able to view them with such insouciance.

### COMPANY RESULTS DUE

#### Stand-alone Imperial likely to top £300m

Imperial, number two in the UK cigarette market, and maker of the Embassy brand, is expected to report profits of about £300m (\$514.4m), against £281m, today for the first full year since it was spun off from conglomerate Hanson. The integration of the Rizla cigarette papers business acquired in January is understood to be progressing well. But the group has faced tough competition from Gallaher against the Lambert & Butler brand at the lower end of the price range, while its share of the French market slumped ear-

lier this year after the French government froze cigarette prices.

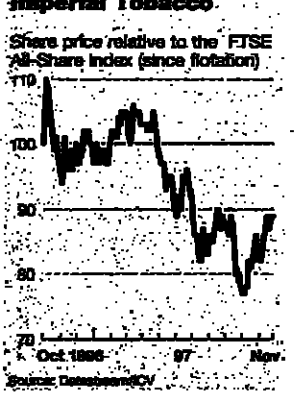
■ Scottish & Newcastle will report interim pre-tax profits of about £220m today, up almost 13 per cent on last year's £196.1m. The brewing and pubs group has digested the acquisition of Courage, made two years ago, and is working hard to win new sales ahead of the end next year of its supply agreement for the entrepreneur pub chain. Things are improving at the underperforming Center Parcs holiday villages, but there appears little sign of a buyer willing to take them on.

■ Interim results tomorrow from Siebe, the engineer, should show good profit growth despite the strong pound depressing turnover by 10 per cent. The shares have been volatile as some

analysts expressed concern that it has lost focus by growing through acquisition. The figures will be watched for evidence that last year's purchase of Unitech, the controls business, is paying off. Merrill Lynch expects pre-tax profits of £220m (£190m), earnings of 27p (24p) and a 5.4p (4.9p) dividend.

■ It is unclear whether Allied Colloids, the specialty chemicals maker which has become a target of a £1.07bn hostile bid, will release its interim results tomorrow. The company is preparing its defence document against Hercules, the US chemicals manufacturer, and said it might choose to postpone the release of its figures. Martin Evans, analyst at Sutherland, is forecasting a 56 per cent rise in pre-tax profits to £33m because of last year's acquisition of CPS. Hercules has accused

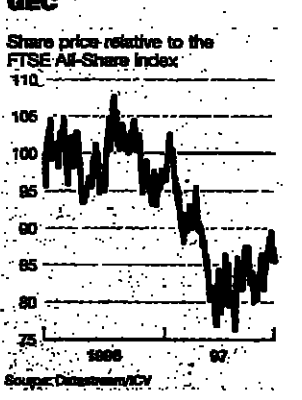
#### Imperial Tobacco



Allied's management of eroding shareholder value because of poor return on capital, and Allied will have to produce figures which indicate otherwise.

■ Stagecoach, the train and bus company, is expected to show good progress across all four divisions when it

#### GEC



unveils interim results tomorrow. NatWest Markets expects the company to produce operating profit more than doubled to £104.9m and normalised pre-tax profit also more than doubled to £76.4m.

There may be some disappointment stemming from the bus war with FirstBus in

Scotland although the Porterbrook rolling stock company should do well. There may also be views from the company on the possibility of the government extending regulations to include the roscos.

■ Full-year pre-tax profits at Bass, announced on Wednesday, are expected to rise 9 per cent before exceptional items to £780m (£671m). Exceptional items will include a write-down of its Gala bingo assets and a net loss of about £35m on the sale of its 50 per cent stake in Carlsberg-Tetley after a merger was vetoed by Margaret Beckett, trade and industry secretary.

The failure to acquire Carlsberg-Tetley and the William Hill betting shop chain has left Bass with low gearing – raising expectations of a share buy-back or alternative acquisitions.

#### Great Universal Stores

results on Thursday are expected to be clouded by what NatWest Markets has called "an unusually complex array of one-offs". Acquisitions and disposals and the forecast for the Experian subsidiary make estimates difficult, while the uncertain effect of currency is also a factor. NatWest expects the six months to September to produce a 27 per cent rise in operating profit to £243m on sales up 28 per cent at £1.54bn.

■ Grand Metropolitan's last figures before its merger with Guinness are due on Thursday. It is expected to reveal full-year pre-tax profits up marginally to £975m (£966m), despite strong underlying growth.

Sterling's strength reduced first-half profits by £38m and a trading statement in September warned of more to

come. There will also be a further exceptional charge of £22m from the sale of the European food businesses.

No final dividend will be declared. After the merger, Diageo will pay an interim dividend of 12.5p in April, enhanced to reflect the change of year-end.

■ The interest in GEC's interim results on Thursday will concentrate on corporate activity rather than the figures. Investors are hoping for news of a possible £1bn flotation or demerger of the GEC Alsthom joint venture, or of the sale of its 60 per cent stake in GPT to Siemens, the £1bn telecoms business's minority shareholder.

NatWest Securities expects pre-tax profits little changed at £430m (£426m), with earnings of 9.8p (5.5p after exceptional items) and a 3.42p (3.25p) dividend.

### INTERNATIONAL EQUITIES By Jonathan Waples, Sao Paulo

## Turmoil delays Brazilian offers

Brazil's privatisation programme, currently the biggest in the world, has been dominated by trade sales, leaving little to interest equity investors. Just as this was set to change, the crisis on world capital markets is threatening to force the government to postpone – or even cancel – some big offers.

Hardly a week has gone by in recent months without another chunk of the country's public sector coming under the hammer. Sales by federal and state governments of railways, port terminals, banks, insurers, mining assets and electricity companies have netted about \$3.7bn this year, the planning ministry reckons sales of electricity and telecommunications assets due next year will raise \$680bn.

Faced with the political choice of realising the highest possible price through trade sales, or – as Brazilians have it – of "democra-

tising" ownership through share issues, both federal and state governments have tended to opt for the former. In most cases, however, their plans have included a subsequent secondary offering on stock markets.

Now the government plans to offer 31.5 per cent of voting stock in Companhia Vale do Rio Doce, the world's biggest iron ore mining company, in the last week of January. This follows the sale of a 42 per cent stake in CVRD in May for \$43.34bn.

It is scheduled to be followed by offers of minority stakes in Light, a Rio de Janeiro electricity distributor privatised in June 1996 for \$3.25bn, and in Petrobras, the petroleum group, although the government has no plans to privatise Petrobras outright. At the same time, state governments are studying similar sale models for their assets, particularly in electricity distribution and generation.

Current interest is focused on the state of São Paulo, which last month began the privatisation of electricity assets worth about \$200bn with the sale of a controlling stake in CPFL, a distributor covering the interior of the state, for \$43bn. A minority stake is due to be offered at the end of the first quarter of 1998.

São Paulo is also preparing to sell Cesp, a generator, and Eletropaulo, a distributor serving the state capital. There had been talk that Cesp would be sold entirely through a public offer. The state government, perhaps inspired by the recent success of similar operations in Spain and Portugal, was keen to encourage local investors to take part in the sale, hoping this would lift its own standing and reduce popular opposition to privatisation.

Under present market conditions – described by one government adviser as "the

most difficult I've ever seen" – this option now seems certain to be discarded. Other minority offers, including that of CVRD, are likely to be postponed. However, the successful sale of CPFL gives good reason for sellers to continue using the same model. It took place during the first week of the current market turbulence, yet still raised a premium of 70 per cent to its minimum price. Two other states have since carried out similarly successful utility sales.

Comparing such successes with the recent performance of Brazilian stocks – which have lost about a third of their value in the past month – governments will be wary of launching public offerings in the next few months. The one crumb of comfort is that premiums being paid for controlling stakes by long-term investors should do something to underpin prices when the offers do come to market.

**FT**  
FINANCIAL TIMES

A World's First  
Financial Times Television & London Business School Present

### "Management Practices"

The world's first Hi-CD for business and management featuring top London Business School lecturers

as an audio-visual presentation for PC with MPEG1 compatibility or as an audio CD with six tracks

direct connection to a dedicated web site for referencing and related material on the six subjects

all on one CD

Price £29.50 (incl. of p+p and VAT) plus £2 international  
Order your Hi-CD on Management Practices by cheque payable to:  
PEARSON TELEVISION LTD  
At Dept Hi-CD, 3rd floor,  
Financial Times Television  
1 Stephen Street,  
London W1P 1PJ

or by phoning  
0171 691 6305

For more information see [www.Hi-CD.ft-television.com](http://www.Hi-CD.ft-television.com)

Managing in a Global Environment  
Defending your Market  
Impact of European Monetary Union  
Dealing with the Internet  
Breaking the Mold in Business  
Exploiting your Core Competencies

Hi-CD is a registered trademark of Pearson Education Ltd and is marketed by FT CD Ltd

This announcement appears as a matter of record only

## COX INSURANCE HOLDINGS PLC

### £50,000,000 Syndicated Term Loan Facility

Arranged by

**HSBC Investment Bank plc  
and  
Midland Bank plc**

Lead Managers

**Midland Bank plc**  
**Royal Bank of Canada Europe Limited**

**NatWest UK**  
**Société Générale**

Manager  
**Crédit Lyonnais**

Agent  
**HSBC Investment Bank plc**

**HSBC Investment Bank plc**  
Member HSBC Group

October 1997

## MARKETS: This Week

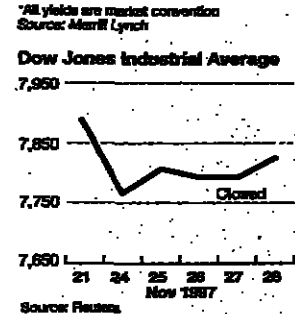
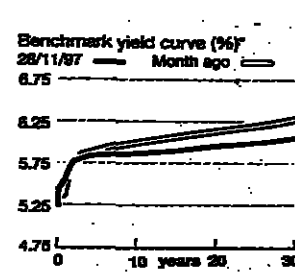
## NEW YORK By Tracy Corrigan

Treasuries have benefited from the flight to quality following the failure of Yamaichi, the Japanese securities firm, 10 days ago, but as the market gets back in gear after the Thanksgiving holiday, traders will watch to see whether sentiment continues to prevail over fundamentals.

The recent rally in Treasuries, pushing 30-year bond yields to just above 6 per cent - in spite of continuing domestic economic strength - caused Salomon Brothers to ask in its latest research paper: "Do US bonds have diplomatic immunity?"

Some analysts fear the liquidity problems in Japan will lead to large sales of US Treasuries, although there has been little sign of this so far. Some argue the Japanese authorities will sell Treasuries to put downward pressure on the dollar while others believe that the relatively high yields on US securities to those of Japan will help protect Treasuries.

Among this week's data are the Beige Book on Wednesday, and employment numbers on Friday. US unemployment is at its lowest level for 25 years. According to Lbr: "The market's evident complacency with respect to



Fed policy could finally be challenged by another outsized payroll increase. Salomon Brothers also highlights the National Association of Purchasing Management's (NAPM) survey of manufacturing conditions in November, due on Monday.

"So long as investors focus on the prospective economic slowdown in 1998, bond yields probably will drift lower," predicts Robert D'Elmeste in Salomon's latest fixed income research.

## LONDON By Philip Coggan

The main domestic event of the week will undoubtedly be the latest meeting of the Bank of England's monetary policy committee. The money markets are looking for another couple of base rate rises before it peaks, although not necessarily at this meeting.

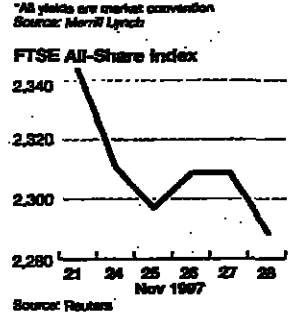
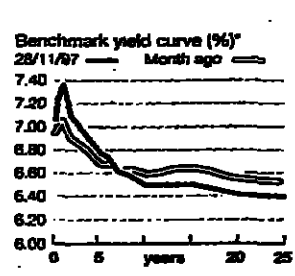
Sanjit Maitra, head of economics and strategy at WestLB, said: "We expect the MPC not to change monetary policy in December or January. The recent trade data suggest that some slowing in growth - however modest - from net exports is on the cards. On the domestic front, there has been no new evidence suggesting further unexpected strength in spending."

It will be hard, as usual, to stop investors from keeping one eye firmly trained on overseas.

The financial problems of Korea and Japan are a recurring worry, with some concerned that Japanese investors might repatriate their overseas holdings.

The other main issue will be the prospects for an interest rate rise in the US, and the non-farm payroll figures on Friday will have their normal potential to move the markets.

Many analysts suspect that the Federal Reserve



would have raised rates in November but for the Asian crisis.

The corporate sector has been kept busy with takeover deals in the past fortnight and further bid speculation will provide some support to the UK market.

There are also a spate of results to consider: Bass, Carlton, GEC, Grand Metropolitan, GUS, Imperial Tobacco, MEPCO, Scottish & Newcastle and Siebe are among those reporting.

## FRANKFURT By Andrew Fisher

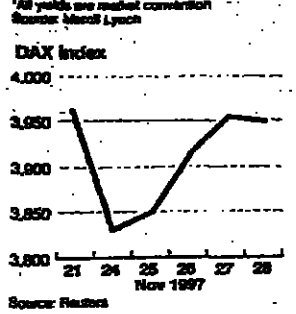
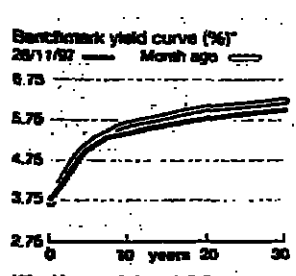
Hopes of a year-end rally in German equities have been dashed by the Dax blue-chip index nudging the 4,000 mark, with traders seeing a strong possibility it will be passed this week. Volume was low on Friday after the US holiday, with the market also adjusting to Xetra.

Frankfurt's new electronic trading system.

Although events in Asia continue to cause concern, investors have taken heart from the slow advance by European and US markets. Low interest rates - and the expectation that they will remain low as central bankers seek to exert a calming influence - and the renewed firmness in the dollar are helping to underpin the German market.

Strong earnings statements from leading German companies have also helped boost sentiment. Attention this week is likely to focus on macro-economics, with third-quarter gross domestic product figures due on Thursday. These are expected to show a quarter-on-quarter growth of about 1 per cent, similar to the previous three months.

J.P. Morgan expects year-on-year GDP growth of about 2.6 per cent. In the fourth quarter, however, "the



rate of growth is sure to slow from the torrid pace of the past two quarters" to an estimated 2.3 per cent.

Also due this week are October industrial production figures. With new orders showing a positive trend, UBS Global Research expects manufacturing output to have risen 2 per cent over September. Total industrial production is likely to be less buoyant as a result of the weak construction sector.

## TOKYO By Brian Hutton

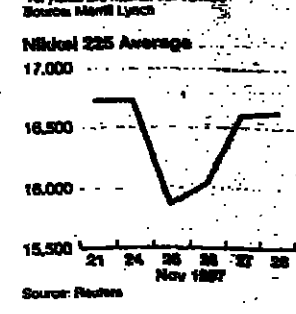
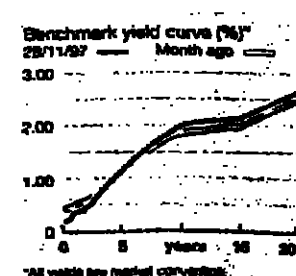
Japan's markets are expected to be a little calmer this week. The rash of failures in the financial sector during November shocked the stock market, but by the end of last week there were strong signs that the government was working on plans to use public money to help the banks. The Nikkei 225 average ended the week only marginally below the previous week's close, while bond yields rose.

This week, both stock and bond markets will be watching for more details of those proposals.

The government is also due to announce further economic stimulus measures on December 10. These could include details of plans for the financial sector, so there may be an element of wait-and-see keeping the Nikkei within a narrow trading range this week.

However, in spite of official reassurances, many observers are not ruling out further collapses of banks or brokerages over the next few weeks, as money market conditions continue to worsen for the weaker institutions. Any further failures would be likely to knock the Nikkei back down towards 15,000.

Attention may shift to the state of the economy this week. Gross domestic



product figures for the third quarter are due out on Wednesday, and a revision of the second-quarter figure - a 2.9 per cent drop - is possible. The average expectation for the third quarter is for growth of about 1.5 per cent, although some economists are much more pessimistic.

Other statistics due out this week include vehicle registrations for November, due today, and household spending for October, on Thursday.

## OTHER MARKETS Compiled by Jeffrey Brown

## PARIS

French shares showed little net change last week in line with the trend across Europe. Trading was narrow - the CAC 40 index swung within an arc of just 13 points on Wednesday - but there were plenty of sharp price movements among individual sectors.

The protracted Opec negotiations on output ceilings cast a cloud over the heavy weight oil stocks. Both Elf Aquitaine - down 6 per cent - and Total fell steeply as talk turned to a possible 10-20 per cent decline for the oil prices should Opec raise its ceilings. Brokers are uncertain about the sector's short-term outlook.

Retailers looked to be a clear beneficiary of investors switching out of oils. There were strong gains, too, for financials following Paribas' move to buy in the minorities in two big satellite operations.

The deals stand to dilute Paribas' earnings by 8 per cent next year, but are widely seen as positive for shareholder value. UBS has

lifted its 18-month price target to FF600, almost 50 per cent above the present level.

## HONG KONG

Hong Kong share prices are expected to drift lower this week in the face of the financial problems in Japan and Korea and a gloomy property outlook at home, writes Louise Lucas in Hong Kong.

Last week's decision by Cheung Kong, the property developer, to slash property prices at its new luxury development spooked investors by signalling deeper weakness in property prices.

The Hong Kong market has also seen volume dry up in recent weeks. On Friday, daily turnover contracted to HK\$6bn (US\$776m), compared with a record HK\$46bn in August. Brokers say investors are cautious so long as there is a possibility of a rise in interest rates and a perceived flight away from Asian markets.

The same turmoil which has eroded the value of currencies and stock markets throughout Asia is anticipated by some investors to

hit China, forcing a currency devaluation. This concern has seen the China sectors, H shares and red chips, come under heavy selling pressure.

## LISBON

The Lisbon market had another solid week, with the PSI index rising 3.4 per cent to close at 6,305.21 on Friday.

The market's strength has little to do with underlying fundamentals, however, and mainly reflects hopes of increasing foreign investor interest after Portugal joins the Morgan Stanley index of developed markets today.

Morgan Stanley announced during the privatisation of electricity utility EDP in June that it would upgrade the country at the end of the year. The announcement, which encouraged foreign investors to take EDP shares, helped make the sale a success.

"Portuguese investors are speculating that foreign investors have yet to vector Portugal into their asset allocations," said Paulo Araujo at Schroders.

## COMMODITIES By Maggie Urry

## Conference to address future of the CAP

Reform of the Common Agricultural Policy is now the hot topic in the European food and farming industries, as the Agenda 2000 proposals drafted by the European Commission in July are being regarded as the most complicated policy ever to have emerged from Brussels.

Its influence extends across European agriculture and beyond as Brussels controls prices of exports from the community. While the

Union and world trade talks, the conference, being organised by Agra Europe, is billed as a practical introduction to the CAP. The CAP, which takes about half the EU budget each year, is regarded as the most complicated policy ever to have emerged from Brussels.

Its influence extends across European agriculture and beyond as Brussels controls prices of exports from the community. While the

organisers promise to avoid technical language, the intricacies of the agronomy system and the single European currency will be addressed.

Delegates may want to ask how UK farmers and food companies will be affected when the single currency begins with sterling still outside. Many fear that this will disadvantage the UK if the pound retains its strength against the new euro.

Also a question for debate may be the impact of the next round of world trade organisation talks, due to begin in 1999, on the CAP. It is debatable whether the Agenda 2000 proposals are compatible with the likely outcome of the WTO talks.

The afternoon session is devoted to a more detailed look at the Agenda 2000 proposals and how they affect the three agricultural product regimes where changes

are to be made. These are cereals, dairy and beef. Under the proposals, support prices for cereals will be cut by 20 per cent, for dairy products by 10 per cent and for beef by 30 per cent. However, farmers will receive compensation payments.

The conference will also cover rural development, agriculture and the environment, animal welfare and the fraught issue of genetically modified foodstuffs.

## CURRENCIES By Wolfgang Münchau

## Interest likely to focus on dollar/yen rate

Currency strategists hope that the Thanksgiving holiday will bring a quieter period to the foreign exchange markets, at least until the end of the year.

One of parties they are bound to keep a watchful eye over is the dollar/yen exchange rate. The dollar ended last week at Y127.6, although this rate overstates the yen's weakness on a trade-weighted basis.

This is seen as a particularly difficult time to predict

the dollar/yen rate because of opposite pressures. On fundamental grounds, the yen looks weak. But analysts remind themselves of 1995, when the dollar/yen rate changed from Y105 to about Y80 within two months because of repatriation of Japanese capital.

Some are wondering whether the same could be happening again. Tony Norfield, currency strategist at ABN-Amro in London, said he was focusing on two

related aspects: the degree to which Japanese capital would be repatriated as a result of the Yamaichi crisis; and the ability of Japanese investors to maintain a steady net outflow of capital - a capital account deficit - to balance the structural current account surplus.

The degree to which investments are repatriated has been fairly haphazard. There have been sharp movements in a number of currencies as a result of

Yamaichi assets sales.

"Most Japanese assets are held in US dollars, but still a significant amount is held in other currencies. There is no reason to think that the dollar will be sold rather than other currencies. One reason for the recent dollar/D-mark increase is the selling of Japanese assets in Germany," Mr Norfield said.

The second point is more subtle. Japanese borrowers face a hefty premium for loans of up to one per cent

age point above the London Interbank Offered Rate (Libor) because of the banking crisis.

In view of the interest rate premium faced by Japanese borrowers, they might find it harder to maintain a sufficiently strong capital account deficit.

The problem, of course, only arises for investors who borrow to invest. It does not affect cash-rich investors, such as life assurance companies, to the same extent.

## CROSS BORDER M&amp;A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Lefarge (France)	Radland (UK)	Building materials	\$30n	Now agreed
Philips Services (Canada)	Safety-Icon (US)	Waste	\$1.8bn	Rival trumps
Hercules (US)	Allied Colloids (UK)	Chemicals	\$1.8bn	Hostile bid
AOX Technologies (US)	Britton Group (UK)	Plastics & Packaging	\$337m	Recommended
Standard Chartered (UK)	Estabancos (Int'l)	Banking	\$165m	LatAm expansion
Airtours (UK)	Sun Int'l (Belgium)	Travel	\$119m	1st stage done
Hall Engineering (UK)	BRC Weldmesh (S'pore)	Engineering	\$78m	Reorganising
David Brown (UK)	Union Pump (US)	Pumps	\$64m	Highly geared
UBS (Swiss)	Alfi Gestion (France)	Financial services	\$61.4m	Needs gov't OK
National Grid (UK)/MPI (UK)	Unit of ZCM (Zambia)	Power	\$50m	60% each

SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE			
TEL: (301) 3354100 - 3311456 - 3245574	REUTERS PAGES: ATGG-H-I		
FAX: (301) 3252241 - TELEX 210733 ATRA GR	TELETYPE PAGES: 17880-1-2		
CONTACT NAME: Mr John Manolopoulos	Internet Page: www.sigmasa.gr		
ATHENS STOCK EXCHANGE November 24th - November 28th 1997 GREECE			
ASE INDEX	1474.02	PIE (after tax) 97/96	15.91/1
%Chg (31/12/96)	57.91	EPS GROWTH (%) 97/96	1.63
Yearly High	1808.95	PE 97/96 EPS GROWTH (%) 97/96	0.85
Yearly Low	922.28	ROE 97/96	12.91/5
WEEKLY VOL (USDm)	247.09	REV 97/96	2.78/7
%Chg (Prev. Wk)	-27.56	Div. Yield (%) 97/96	3.83/0
1 Yr. Avg Vol. (USD m)	382.27		
GDP (USD bn) 97/96	117.92		
Per Capita Income (USD)	11,329		
Inflation Rate (%) Y.O.Y. October '97	4.70		
November 12 M-TB bill rate (%)	11.70		
1-Month Attrib (%)	14.45		
GRDUS (November 28, 1997)	277.05		
A.S.E. Market Capitalisation - 29/11/97 (USD bn)	34.84		
FCB & Rights Issues (USD m) Jan 1 - November 28 '97	1,781.17		

## CONTRACTS &amp; TENDERS

REPUBLIC OF POLAND  
The Ministry of Treasury

The Minister of Treasury invites tenders for advisory services in the public sale of Polish Telecom Sp. z o.o. Telekomunikacja Polska Spółka Akcyjna

The executor chosen under the two-stage tender, will be responsible for work related to the public offer of stock which includes the following activities:

- 1) preparing the valuation of the company;
- 2) preparing the analysis of the company;
- 3) preparing prospectus of the company and other documents required by the law;
- 4) preparing the preliminary offering circular;
- 5) preparing and conducting of the company's stock sale;
- 6) conducting the promotion of the company's stock sale.

The detailed scope of work of the executor is included in Terms of Reference, which can be available at the Ministry of Treasury (Department of Privatisation and Restructuring, room 461).

The offers should be submitted in the sealed envelope at the Ministry of Treasury, room 477, 36 Krucza Street/6 Wpólna Street, not later than until 3.00 p.m. (Warsaw time) on 29th Dec 1997.

IN A CHANGING WORLD ROYAL MAIL HELPS YOUR BUSINESS BECOME FIRST RATE - WE ALL RESPOND TO A LETTER

البحراني



## MARKETS: This Week

## INTERNATIONAL BONDS By Gwen Robinson

## Tokyo moves to restore confidence

The recent panic in offshore Japanese government bond markets following the collapse of Sanyo Securities and Yamachi Securities highlighted glaring anomalies in Japan's JGB trading system: namely the arcane withholding tax system.

In the aftermath, mounting pressure on the government has led to new moves to reform the withholding tax system. But the long overdue momentum on withholding tax reform has come at a time of growing concerns about a liquidity squeeze in JGB markets.

Financial authorities, trying to restore confidence in Japan's markets, now face the dilemma of how to balance protective regulatory measures and support in a market which is crying out for further deregulation. Even if they get it right, the question is whether investors will still find JGBs attractive in an environment of declining market liquidity.

The problem triggered by the collapses stemmed from Japan's system of "settlement kabuki", a device that enables non-residents to trade JGBs in "street names" of Japanese institutions to sidestep withholding tax. Under this convention, most offshore buyers of JGBs do not become the registered owners. Rather, they trade JGB name registration forms (NRPs) with the bond remaining legally registered to the NRP issuer.

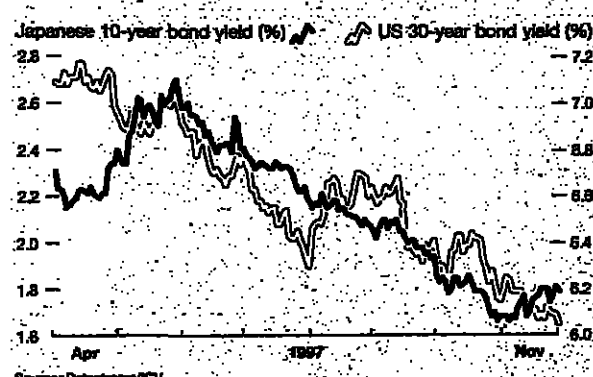
The recent upheavals triggered fears about the implications of being delivered JGBs registered in the failed brokers' names. London took one of the biggest hits, with the JGB market plunging on the rumours.

Reassurances from both Sanyo and the finance ministry helped calm the bond cash and repo markets, which were relatively quiet last week after massive support operations by the authorities left a record surplus of ¥3,700bn in the money markets.

But even with the Bank of Japan's stated commitment to continue supporting the market, investors are increasingly sceptical of how long the central bank can sustain such operations. While JGB dealers welcome any suggestion of support, the scare could not have happened at a worse time. The benchmark 10-year bond has been fluctuating around a yield of between 1.8 and 1.9 per cent in the past month, reaching record lows in the process.

But even at the heights of their record-breaking performance against the December futures contract, the benchmark 10-year bond has been fluctuating around a yield of between 1.8 and 1.9 per cent in the past month, reaching record lows in the process.

## US and Japan bonds



## NEW INTERNATIONAL BOND ISSUES

Issuer	Amount	Maturity	Coupon	Price	Yield	Launch	Book-timer
US DOLLARS							
European Investment Bank	250	Dec 2002	6.125	100.339	6.125	Nov 16/17	ABN AMRO
MSG, Class A(1)	55.5	Sep 2002	6.85	99.711	6.820	Nov 16/17	Morgan Stanley
MSG, Class B(2)	75.7	Sep 2002	7.21	100.784	7.233	Nov 16/17	Morgan Stanley
MSG, Class C(3)	65.7	Sep 2002	7.85	99.072	7.820	Nov 16/17	Morgan Stanley
MSG, Class D(4)	98.3	Sep 2002	7.85	99.058	7.820	Nov 16/17	Morgan Stanley
Golden State Group	75	Dec 2002	6.01	99.838	6.010	Nov 16/17	Bank of America
MILCO Energy Holdings	20.0	Dec 2002	6.01	99.838	6.010	Nov 16/17	Bank of America
Standard Life	175	Sep 2001	5.40	99.95	5.351	Nov 16/17	Bank of America
PERSE, Class A(10)	125	Sep 2001	5.94	99.955	5.920	Nov 16/17	Morgan Stanley
PERSE, Class B(20)	250	Sep 2001	6.01	99.955	6.010	Nov 16/17	Morgan Stanley
PERSE, Class C(30)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class D(40)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class E(50)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class F(60)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class G(70)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class H(80)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class I(90)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class J(100)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class K(110)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class L(120)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class M(130)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class N(140)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class O(150)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class P(160)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class Q(170)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class R(180)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class S(190)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class T(200)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class U(210)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class V(220)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class W(230)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class X(240)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class Y(250)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class Z(260)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AA(270)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AB(280)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AC(290)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AD(300)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AE(310)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AF(320)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AG(330)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AH(340)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AI(350)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AJ(360)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AK(370)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AL(380)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AM(390)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AN(400)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AO(410)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AP(420)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AQ(430)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AR(440)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AS(450)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AT(460)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AU(470)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AV(480)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AW(490)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AX(500)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AY(510)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class AZ(520)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BA(530)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BB(540)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BC(550)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BD(560)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BE(570)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BF(580)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BG(590)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BH(600)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BI(610)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BJ(620)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BK(630)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BL(640)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BM(650)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BN(660)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BO(670)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BP(680)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BQ(690)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BR(700)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BS(710)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BT(720)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BU(730)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BV(740)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BW(750)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BX(760)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BY(770)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class BZ(780)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CA(790)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CB(800)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CC(810)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CD(820)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CE(830)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CF(840)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CG(850)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CH(860)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CI(870)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CJ(880)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CK(890)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CL(900)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CM(910)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CN(920)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CO(930)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CP(940)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CQ(950)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CR(960)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CS(970)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CT(980)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CU(990)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CV(1000)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CW(1010)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CX(1020)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CY(1030)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class CZ(1040)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DA(1050)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DB(1060)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DC(1070)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DD(1080)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DE(1090)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DF(1100)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DG(1110)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DH(1120)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DI(1130)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DJ(1140)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DK(1150)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DL(1160)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DM(1170)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DN(1180)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DO(1190)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DP(1200)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DQ(1210)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DR(1220)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DS(1230)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DT(1240)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DU(1250)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DV(1260)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DW(1270)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DX(1280)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DY(1290)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class DZ(1300)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class EA(1310)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class EB(1320)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class EC(1330)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class ED(1340)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE, Class EE(1350)	250	Sep 2001	6.15	99.955	6.150	Nov 16/17	Morgan Stanley
PERSE							

## THE WEEK AHEAD

## DIVIDEND &amp; INTEREST PAYMENTS

## TODAY

Abbey National Treasury 104% Sb Bd 2008/11 £1075.0  
 Adscane 7.8% Ser 2 Cv Pf 3.5p  
 American General \$0.35  
 Andrews Sykes Cv Pf 3.5p  
 Anglian Water 84% Bd 2006 £22.50  
 Austin Reed 2.5p  
 Barclays Bank Non-Cm \$ Pf Ser C1 \$0.4219  
 Do Ser C2 \$0.1408  
 Do Ser D1 \$0.4219  
 Do Ser D2 \$0.1437  
 Do Units \$0.5825  
 Do Ser D Pf Units \$0.575  
 Blue Circle 104% Bd 2013 £237.50  
 Cadbury Schweppes 5% Nts 1998 \$58.75  
 Canning (W) 3.7p  
 Canadian Cv Rd Pf 3.625p  
 City of Oxford Inv Tst 1.3p  
 Croda Int 3.55p  
 Dalgety 5p  
 Delta 4.5p  
 Derriford Int 0.6p  
 Dixons 1.6p  
 Dixie Heel 0.6p  
 Exportfinans 74% Nts 1998 £72.50  
 Exmor Dual Inv Tst 1.191p  
 Do Inc 1.8p  
 Fishers Int 0.2p  
 Fleming Claverhouse Inv Tst 1.45p  
 Fleming Int & Cap Inv Tst 1.4p  
 Do Units 1.4p  
 Fleming Mercantile Inv Tst 44% Perp Bd £2.125  
 Fleming Smaller Co's Inv Tst 3.2p

Folkes 0.753p  
 Do NVtg 0.753p  
 Ford \$0.42  
 Foreign & Colonial Inv Tst 44% Perp Bd £2.125  
 Galliford 0.55p  
 Garton Eng 2.5p  
 General Cons Inv Tst 44% A Cm Pf £1.4675  
 Garfiance 11.49% Ln 2007 £57.45  
 Glaxo Wellcome 84% Bd 2005 £27.50  
 Govett Oriental Inv Tst 5% Cm Pf 1.75p  
 Great Portland Estates 94% Cv Ln 2002 £4.75  
 Guinness 74% Nts 1997 £73.75  
 Hambros Inv Tst 34% Cm Pf £1.225  
 Henderson Smaller Co's Inv Tst 44% Cm Pf 1.575p  
 Do 104% Bd 2018 £5.25  
 House of Fraser 1.7p  
 Ibbstock 0.75p  
 Ilford Morris 5% Non-Cm Pf 1.225p  
 Inco \$0.10  
 Ingersoll-Rand \$0.15  
 Kinkadee 11.8% Rd 2031 £5.80  
 Kleinwort Charter Inv Tst 4% Cm Pf £2.0  
 Ladbroke 2.6p  
 Lamont 3.65p  
 Law Debenture 44% Bd £2.25  
 Legal & General 4p  
 Lewis (John) 5% Cm Pf 1.75p  
 Do 74% Cm Pf 2.625p  
 London 24% Cons £0.825  
 Do 3% Cons £0.75  
 London & Manchester 84% Nts 2004 £81.25  
 Manganese Bronze 6p  
 Metsec 1.5p

Midland Bank 14% Sb Ln 2002/07 £7.0  
 Minerals Oil & Res \$0.25  
 Monks Inv Tst 11% Bd 2012 £5.50  
 Murray Smaller Mkts Tst 4.1% Cm Pf 2.05p  
 National Power 64% Bd 2003 £82.50  
 NT & T 6% Nts 2000 \$60.0  
 Northern Leisure 3.5p  
 Paterson Zochonis 11.7p  
 Do A NVtg 11.7p  
 P & O 74% Bd 2027 \$38.97  
 Do 7.3% Nts 2007 \$34.27  
 Perspore Free B Sk 2.75p  
 Poshins 1.75p  
 Polyhedron 1.15p  
 Reed Int 44% Cm Pf 1.575p  
 Do 54% Cm Pf 1.525p  
 RMC 8.2p  
 RPH 4% Cm Pf 1.4p  
 Do 8% Cm Pf 2.8p  
 Royal & Sun Alliance 7.15p  
 Scottish Mortgage & Tst 1.7p  
 Silk Inds 2p  
 Sorry 2.25p  
 State Bank of New South Wales 64% Bd 2000 \$85.0  
 Sutton & East Surrey Water 10% Rd Bd 1997/99 £2.485151  
 Tesco 3.55p  
 War 34% Ln £1.75  
 Wright (John) 44% Cm Pf 1.575p  
 Yorkdyde 2.65p

**TOMORROW**  
 Asarco \$0.20  
 BAT Inds 124% Un Ln 2003/08 £6.125  
 Bliton 3p  
 Bosmore Int 1p  
 Cookson 4.1p  
 Enterprise Oil 104% Un Ln 2013 £5.75  
 Fujitsu Y5.0

New Central Watersrand R1.59  
 NT & T 74% Nts 2003 £73.75

## WEDNESDAY DECEMBER 3

Asahi Chem 74% Bd 1999 Y712500.0  
 Bupa Fin 104% Sb Gtd Bd 2018 £1050.0  
 Carlsbrooke Shipping 1p  
 Daring Kindersley 3p  
 Glynned 4.4p  
 Halifax 74% Nts 1998 £775.0  
 St Ives 8.2p  
 Schroder Ventures Int Inv Tst 1.92p  
 Tarmac 3p  
 Utd News & Media 64% Sb Cv Bd 2003 £153.125  
 Yorkshire Water B 0.493359p

## THURSDAY DECEMBER 4

Abbey National Treasury Gtd Tst 10 Indx FRN 2006 FF112.75  
 Anglo Irish Cap Fdg Ser A Ftg Rater Non-Cm Gtd NVtg Pt \$0.52  
 Antofagasta 1.8p  
 Eurodollar 2.5p  
 Export-Import Bank of Japan 8% Bd 2000 \$55.0  
 Hambros Smaller Asian Co's Tst \$0.0015  
 Hat Pin 1p  
 Ideal Hardware 3p  
 Lloyds Bank Sb FRN 1999 £19.79  
 Sears 1.05p  
 Sunbroom Bank Cap Mkts Gtd Fdg FRN 2002 \$91250.0  
 Westpac Banking FRN 1999 DM82.47

## FRIDAY DECEMBER 5

Aberforth Split Level Tst 2.45p

## UK COMPANIES

## TODAY

COMPANY MEETINGS:  
 Kilmor Development Pl, 10, Fenchurch Street, E.C. 12.45  
 Polson Zochonis, Holiday Inn, Cromie Plaza, Midland Hotel, Peter Street, Manchester, 12.00  
 Schroder Ventures Int Inv Tst, 120, Chesapeake, E.C. 12.00  
 Stewarts, Exchange House, Primrose Street, E.C. 11.30  
 Waverley Mining Placem, 12, Charlotte Square, Edinburgh, 8.30  
 BOARD MEETINGS:  
 Asset Management Broke Ind  
 Dalton Elco  
 Guinness Flight Extra Inc  
 Imperial Tobacco  
 Jennings Bros  
 SSS  
 Young 04  
 Informa:  
 AEA Tech  
 AIT  
 Allen  
 Bath Press  
 Eliza Tinsley  
 Platen Rail  
 Scottish & Newcastle  
 Smith (James) Estates  
 Washhouse

## TOMORROW

COMPANY MEETINGS:  
 Durling Garden, 9, Hanley Street, Covent Garden, W.C., 10.30  
 Network, Tricorn House, Five Ways, Hagley Road, Birmingham, 11.00  
 White Young Green, 107, Chesapeake, E.C. 12.00  
 BOARD MEETINGS:  
 Character Grip  
 Chrysler  
 Edinburgh Paper  
 Gat  
 Sanderston Elec

## WEDNESDAY DECEMBER 3

COMPANY MEETINGS:  
 Gardner & The Manchester Airport Hdon Hotel, Oldham Lane, Ringway, Manchester, 2.00  
 Provend, 18, Anson Road, Parkway, Greenford, Middx., 10.00  
 BOARD MEETINGS:  
 Frick  
 Leadwood  
 Phylpharm

## THURSDAY DECEMBER 4

COMPANY MEETINGS:  
 Allied London Properties, Four Seasons Hotel, Hamilton Place, Park Lane, W., 12.00  
 Scottish Metropolitan, Glasgow Hilton, 1, William Street, Glasgow, 11.30  
 BOARD MEETINGS:  
 Frick  
 Leadwood  
 Phylpharm

## FRIDAY DECEMBER 5

COMPANY MEETINGS:  
 Asaco British Foods, New Cornwright Rooms, Great Queen Street, W.C., 11.00  
 Coats, Nostel London  
 Harmanm, 1, Shortlands, W. 8.30  
 Highland Distillers, Glasgow Royal Concert Hall, 2, Sauchiehall Street, Glasgow, 12.00  
 BOARD MEETINGS:  
 Frick  
 Leadwood  
 Phylpharm

## FRIDAY DECEMBER 5

COMPANY MEETINGS:  
 Asaco British Foods, New Cornwright Rooms, Great Queen Street, W.C., 11.00  
 Coats, Nostel London  
 Harmanm, 1, Shortlands, W. 8.30  
 Highland Distillers, Glasgow Royal Concert Hall, 2, Sauchiehall Street, Glasgow, 12.00  
 BOARD MEETINGS:  
 Frick  
 Leadwood  
 Phylpharm

## SATURDAY DECEMBER 6

COMPANY MEETINGS:  
 Sheffield Ltd, Ponds Forge Int Sports Centre, Sheaf Street, Sheffield, 11.00  
 BOARD MEETINGS:  
 Frick  
 Leadwood  
 Phylpharm

## SUNDAY DECEMBER 7

COMPANY MEETINGS:  
 Sheffield Ltd, Ponds Forge Int Sports Centre, Sheaf Street, Sheffield, 11.00  
 BOARD MEETINGS:  
 Frick  
 Leadwood  
 Phylpharm

## CONFERENCES &amp; EXHIBITIONS

## FT CONFERENCES

**Speakers' Papers**  
 If you are unable to attend any of our wide ranging industry events in person, conference proceedings are available to purchase. FT Conference speakers' papers provide you with an invaluable research tool to keep abreast of industry developments and to formulate your own commercial response to new market opportunities.  
 For further information please contact:  
 FT Conferences, Maple House, 149 Tottenham Court Road, London W1P 9LL  
 Tel: 0171 896 2636 Fax: 0171 896 2696

## LONDON

**IFR Review of the Year**  
 Evaluating the Risks and Opportunities of the European High Yield Bond Market.  
 This event will attract issuers, bankers and investors from Europe to discuss the search for higher yields and how to overcome the increased risks you face. Key speakers include:  
 Martin Fiddison, Chief High Yield Strategist, Merrill Lynch, Heinz Fesser, Head of Fixed Income, DWS, David Weingast, Corporate Fixed Income Research, Alliance Capital Management.  
 For programme details:  
 Contact: Denise McDonald  
 Tel: 0171 369 7537  
 Fax: 0171 369 7534  
 Grosvenor House Hotel, London

## DECEMBER 2-4

**SHOREX 97**  
 Is the premier offshore exhibition and conference. SHOREX brings together offshore service providers, intermediaries and clients to share the best in offshore professional services and offshore finance.  
 If you would like to visit the exhibition or attend the conference, please call Anna Klein on +0171 482 1000.  
 Business Design Centre, LONDON

## DECEMBER 3-5

**Venture Forum Europe '97**  
 Arranged by FT Conferences and Venture Economics, this 8th annual Venture Forum Europe looks at the latest information on private equity in Europe, the debt market, exits, how privatisation is fueling investment in C&E Europe, opportunities in other emerging markets and how Europe is increasing its appeal to the US investor.  
 Enquiries: Sarah Gibb, FT Conferences  
 Tel: +44 171 896 2639  
 Fax: +44 171 896 2696  
 Email: sarahg@pearson-pro.com

## LONDON

## DECEMBER 8 &amp; 9

**FT World Pulp and Paper**  
 Focusing on issues concerning the pulp and paper industry, their customers and solutions. Confirmed speakers include: Mr Brett G Hutton, Chief Financial Officer, APRIL; Mr Masahiko Ohkuni, President, Oji Paper Co. Ltd; Mr Arnold M Nemirov, Chairman and Chief Executive Officer, Bowater Incorporated.  
 Enquiries: +44 171 896 2120  
 Fax: +44 171 896 2696/2697  
 Email: lucinda@pearson-pro.com

## LONDON

## JANUARY 13

**THE ECONOMIST CONFERENCES**  
 Achieving business success in Russia and Central Europe. A one day interactive business conference for US executives.  
 For further information contact:  
 Andrea Stark, The Economist Intelligence Unit  
 Tel: (43 1 or Int) 011 43 1171241 61 40  
 Fax: (43 1 or Int) 011 43 11714 67 69  
 Email: andrea.stark@eu.com

## MANHATTAN EAST SIDE HOTEL, NEW YORK

## JANUARY 14-16

**Managing Client Relationships**  
 • Marketing - Client Profile Criteria, Information Gathering, Product Knowledge - Needs Identification  
 • Inter-Personal Skills - Customer Care  
 • Service Differentiation, Relationship Management - Introducing Specialists  
 • Creating Value, Advisory Roles  
 3 days £275 + VAT  
 Enquiries: Jane Mills  
 Tel: 0181 879 3355  
 Fax: 0181 879 1122  
 Email: jane.mills@business-intelligence.co.uk

## LONDON

## JANUARY 19-23

**Introduction to Corporate Credit Analysis**  
 • Borrowers and their needs • Credit Analysis Techniques • P&L and Balance Sheets • Spreading, Ratios, Key Indicators • Cashflow, Forecasts, Sensitivities • Business Plans, Debt Capacity, Covenants • Risk Analysis  
 5 days £1075 + VAT  
 Enquiries: Birch International plc  
 Tel: 0171 628 4112 Fax: 0171 628 4113  
 Internet: http://www.birchint.com  
 Email: birchint@birchint.com

## LONDON

## JANUARY 21-23

**Introduction to the City and Financial Markets**  
 • Banking System and Market Participants • Organisational Structure and Services at Major Banks • Non Bank Financial Institutions • Money Capital Markets • Risk Management Markets • Stock Market • Technology and Jargon  
 3 days £275 + VAT  
 Enquiries: Birch International plc  
 Tel: 0171 628 4112 Fax: 0171 628 4113  
 Internet: http://www.birchint.com  
 Email: birchint@birchint.com

## LONDON

## JANUARY 23

**Limitation on Benefits**  
 Clauses Compared - risks and opportunities in practice  
 One-day seminar Organized by the IBFD International Tax Academy in cooperation with Deloitte & Touche and the Austrian Chamber of Commerce.  
 Enquiries: Martine van der Weg  
 IBFD International Tax Academy, Amsterdam, The Netherlands  
 Tel: +31-20-626-7736  
 Fax: +31-20-620-9397

## VIENNA

## JANUARY 26-28

**Understanding Derivatives**  
 Fundamentals to Derivatives Markets. How to hedge or leverage exposures on interest rates, currencies, equities and commodities using - Futures • Options • Swaps • Swaptions • Exotics.  
 Recent innovations in: • Value at Risk Models • Credit Risk Derivatives.  
 3 days £275 + VAT  
 Enquiries: Birch International plc  
 Tel: 0171 628 4112 Fax: 0171 628 4113  
 Internet: http://www.birchint.com  
 Email: birchint@birchint.com

## LONDON

## JANUARY 27-28

**New Sourcing Strategies for the Finance Function**  
 25% of finance directors outsource part of the finance function. This conference examines these new sourcing strategies and examines potential cost savings and improved service levels.  
 Enquiries: Jane Mills  
 Tel: 0181 879 3355  
 Fax: 0181 879 1122  
 Email: jane.mills@business-intelligence.co.uk

## LONDON

## JANUARY 28-30

**Essentials of Risk Management**  
 • Forward, futures, options, swaps and structured notes • Overview of modern derivatives • Hedging a stock portfolio • Business risk management • Interest rate derivatives • Diversified portfolio using equity swaps • Investing in fixed income emerging markets • Derivative disasters and how to avoid them.  
 3 days £275 + VAT  
 Enquiries: Birch International plc  
 Tel: 0171 628 4112 Fax: 0171 628 4113  
 Internet: http://www.birchint.com  
 Email: birchint@birchint.com

## LONDON

## JANUARY 28-30

**The Leadership Trust Foundation**  
 "Leadership Development: the challenges ahead"  
 The new millennium will see the need for new leadership. It is these new leaders who will succeed. This conference provides an opportunity to share the knowledge, practical experience and creative ideas in leadership development that are pointing the way to competitive advantage.  
 Contact: Catherine Hillier  
 Tel: +44 (0) 171 779 8322  
 Fax: +44 (0) 171 779 8396

## LONDON

## JANUARY 31

**Corporate Intranet 98**  
 Designed to provide you with the facts you need to prepare for the digital economy, Corporate Intranet 98 covers the business and technological issues involved in developing Internet/intranet/extranet applications.  
 Enquiries: Jane Mills  
 Tel: 0181 879 3355  
 Fax: 0181 879 1122  
 Email: jane.mills@business-intelligence.co.uk

## LONDON

## Conferences &amp; Exhibitions

## FEBRUARY 5-6

**Business Use of Intranets and Electronic Commerce**  
 Making the business case for Intranets; implementation; technical and security issues; VPN's; Making the E-Commerce pieces fit; Hybrid EDI; Cybershopping; Internet Banking. Case studies and presentations by BT, Glaxo Wellcome, Thomas Miller, AddWater, Chase Medham, EEMA, Surrey Police, Chase KPMG; illustrate the use of intranets and E-Commerce to achieve competitive edge.  
 Enquiries: UNICOM  
 Tel: 01895 256484 Fax: 01895 813095

## LONDON

## FEBRUARY 9-13

**Knowledge Management Series**  
 The first complete European KM event leads you from an introduction to KM to Advanced Tools and Systems. Presenters include: Knowledge Associates, McKinsey & Company, The Knowledge Warehouse, Messers Solicitors, Solecon Finland, Norwegian Technological Institute, Kenniscentrum CIB; Cranfield School of Management; KPMG; ICL; Management Centre Europe; Coopers & Lybrand; NIP  
 UNICOM  
 Tel: 01895 256 484 Fax: 01895 813 095

## LONDON

## FEBRUARY 16

**The 14th Annual FT London Motor Conference**  
 The changing role of the car is the theme of this major FT automotive event which will bring together high-level industry executives to discuss this and other developments shaping the sector.  
 Enquiries: Sarah Gibb  
 FT Conferences Tel: +44 171 896 2639  
 Fax: +44 171 896 2696  
 Email: sarahg@pearson-pro.com

## LONDON

## FEBRUARY 17-18

**The Euromoney International Bond Congress**  
 A unique combination of a conference and exhibition. It gives bond market professionals the opportunity to hear from leading experts, discuss new ideas and develop new contacts. Over 1,100 delegates from 47 countries, including 450 investors, attended in 1997.  
 Please contact: Catherine Hillier  
 Tel: +44 (0) 171 779 8322  
 Fax: +44 (0) 171 779 8396

## QUEEN CENTRE, LONDON

## FEBRUARY 23 &amp; 24

**The 16th Annual FT New Media & Broadcasting Conference**  
 This year's offers a unique opportunity to learn more about the latest developments in the broadcasting industry. Speakers include: The Rt Hon Chris Smith MP, Secretary of State for Culture, Media and Sport, Mr Richard Eyn, ITV, Mr Graham Wallace, Cable & Wireless Communications.  
 Enquiries: Stan Pincourt  
 Tel: 0171 896 2626 Fax: 0171 896 2696  
 Email: stanp@pearson-pro.com

## LONDON

## MARCH 5 &amp; 6

**The 4th Annual World Steel Conference**  
 Building on the success of previous events in this series of high-level forums organised by FT Conferences, in association with CRU International, this conference will provide insight into positive developments in mature markets and reassess the opportunities in emerging markets.  
 Enquiries: Lucinda Roberts  
 FT Conferences Tel: +44 171 896 2130  
 Fax: +44 171 896 2696  
 Email: lucinda@pearson-pro.com

## LONDON

## MARCH 16 &amp; 17

**FT World Pharmaceuticals Conference**  
 This major FT conference, arranged with Coopers & Lybrand, will examine how pharmaceutical companies appear to mastering a new skill - the art of creating brand equity and "healthcare" value for their products.  
 Enquiries: Sarah Gibb  
 FT Conferences Tel: +44 171 896 2639  
 Fax: +44 171 896 2696  
 Email: sarahg@pearson-pro.com

## LONDON

## MARCH 26 &amp; 27

**Mediterranean Capital Markets**  
 The British Government, as Presidency of the EU, is pleased to announce this major two day conference, supported by the European Commission and FT Conferences. It will examine the fast-growing capital markets of the Southern Mediterranean region, and the opportunities they offer for portfolio investment.  
 Enquiries: Stan Pincourt  
 Tel: 0171 896 2626 Fax: 0171 896 2696  
 Email: stanp@pearson-pro.com

## The Guildhall, LONDON

## MARCH 26 &amp; 27

**Conferences & Exhibitions**

## Conferences &amp; Exhibitions

To advertise conferences, exhibitions, trade fairs, conference venues and training courses to approx 1.2 million readers worldwide.

Contact Vivienne Eka on

+44 171 873 3507

fax +44 171 873 3098

Financial Times

HOLDING A CONFERENCE AT A CONRAD INTERNATIONAL HOTEL IS IMMEDIATELY REWARDING

All Conrad International hotels offer an elegance and style that is second to none. Not to mention conference facilities that are in a class of their own.

But now they offer more. The Hilton HHonors Worldwide Meeting Planner Bonus Program.

Any meeting planner who books a qualifying meeting at a participating Conrad International hotel with at least two occupied guest rooms can earn thousands of HHonors bonus points that can then be exchanged for free nights at HHonors hotels. Or earn airline miles with participating airline partners.

The rewards are yours. So make the most of them.

For group bookings and information, please call the Conrad International sales office in London at +44 171 873 4818 or in New York at +1 212 512 4818. In the U.S. contact Hilton Direct at +1 972 761 5714.

CONRAD INTERNATIONAL

## LANGUAGE COURSES

To advertise in

**Language Courses**

Please contact Vivienne Eka on +44 (0) 171 873 3218

**Savoir-Faire**  
 in 157 Languages  
 By request our "Winter Specials" Available now to January 30. One to one, 20 hours tuition. Devoted to company 25-40 hours also available 33% off. Professional, individual training for Professionals. 01803 866987 Fax 862096

**REGENT LANGUAGES FOR BUSINESS**  
 • Tailored tuition for business people  
 • Courses for individuals and groups  
 • In company or at our centres in London, Oxford, Brighton and Kent  
 • Expert teaching in over 40 languages including English  
 Regent Languages  
 5 Perry Street, London W1P 9SB  
 Telephone: 0171 537 8041 Fax: 0171 580 0122

FAST, EFFECTIVE, AFFORDABLE

**Would speaking your Customer's language have made the difference?**

Did your last meeting overseas go as well as you had hoped? No? Why not? Did you lose out to a competitor who did speak the language of the customer? Don't let it happen again -

Call BERLITZ for details of "Doing Business In" French/German/Spanish NOW on

**0171 - 915 0909**  
**0121 - 643 4334**  
**0161 - 228 3607**  
**0131 - 226 7198**

**Berlitz** Helping the World Communicate.

## Conferences &amp; Exhibitions

To advertise contact Vivienne Eka on +44 171 873 3507 or Fax +44 171 873 3098

0171 873 3507







## LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

Company	Price
Heavenly Breweries	10.50
Heavenly Breweries	10.50
Heavenly Breweries	10.50
Heavenly Breweries	10.50
Heavenly Breweries	10.50
Heavenly Breweries	10.50
Heavenly Breweries	10.50
Heavenly Breweries	10.50
Heavenly Breweries	10.50
Heavenly Breweries	10.50

## CHEMICALS - Cont.

Company	Price
Chemical Company	10.50
Chemical Company	10.50
Chemical Company	10.50
Chemical Company	10.50
Chemical Company	10.50
Chemical Company	10.50
Chemical Company	10.50
Chemical Company	10.50
Chemical Company	10.50
Chemical Company	10.50

## ENGINEERING - Cont.

Company	Price
Engineering Company	10.50
Engineering Company	10.50
Engineering Company	10.50
Engineering Company	10.50
Engineering Company	10.50
Engineering Company	10.50
Engineering Company	10.50
Engineering Company	10.50
Engineering Company	10.50
Engineering Company	10.50

## EXTRACTIVE INDUSTRIES - Cont.

Company	Price
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50

## INVESTMENT TRUSTS

Company	Price
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50

## INVESTMENT TRUSTS - Cont.

Company	Price
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50
Investment Trusts	10.50

## BANKS, RETAIL

Company	Price
Banks, Retail	10.50
Banks, Retail	10.50
Banks, Retail	10.50
Banks, Retail	10.50
Banks, Retail	10.50
Banks, Retail	10.50
Banks, Retail	10.50
Banks, Retail	10.50
Banks, Retail	10.50
Banks, Retail	10.50

## DISTRIBUTORS

Company	Price
Distributors	10.50
Distributors	10.50
Distributors	10.50
Distributors	10.50
Distributors	10.50
Distributors	10.50
Distributors	10.50
Distributors	10.50
Distributors	10.50
Distributors	10.50

## BREWERIES, PUBS &amp; REST

Company	Price
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50

Company	Price
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50
Breweries, Pubs & Rest	10.50

## BUILDING &amp; CONSTRUCTION

Company	Price
Building & Construction	10.50
Building & Construction	10.50
Building & Construction	10.50
Building & Construction	10.50
Building & Construction	10.50
Building & Construction	10.50
Building & Construction	10.50
Building & Construction	10.50
Building & Construction	10.50
Building & Construction	10.50

## DIVERSIFIED INDUSTRIALS

Company	Price
Diversified Industrials	10.50
Diversified Industrials	10.50
Diversified Industrials	10.50
Diversified Industrials	10.50
Diversified Industrials	10.50
Diversified Industrials	10.50
Diversified Industrials	10.50
Diversified Industrials	10.50
Diversified Industrials	10.50
Diversified Industrials	10.50

## ELECTRICITY

Company	Price
Electricity	10.50
Electricity	10.50
Electricity	10.50
Electricity	10.50
Electricity	10.50
Electricity	10.50
Electricity	10.50
Electricity	10.50
Electricity	10.50
Electricity	10.50

## ELECTRONIC &amp; ELECTRICAL EQPT

Company	Price
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50
Electronic & Electrical Eqpt	10.50

## BUILDING MATS. &amp; MERCHANTS

Company	Price
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50

Company	Price
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50
Building Mats. & Merchants	10.50

## CHEMICALS

Company	Price
Chemicals	10.50
Chemicals	10.50
Chemicals	10.50
Chemicals	10.50
Chemicals	10.50
Chemicals	10.50
Chemicals	10.50
Chemicals	10.50
Chemicals	10.50
Chemicals	10.50

## ENGINEERING

Company	Price
Engineering	10.50
Engineering	10.50
Engineering	10.50
Engineering	10.50
Engineering	10.50
Engineering	10.50
Engineering	10.50
Engineering	10.50
Engineering	10.50
Engineering	10.50

Seamless solutions  
for electronic business

NetExperience  
NetExpertise  
NetGain for Business

**icl**

>icl.net/comm  
Electronic Business Solutions

Eyes on the Future, Feet on the Ground

www.icl.com

## ENGINEERING, VEHICLES

Company	Price
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50
Engineering, Vehicles	10.50

## HEALTH CARE - Cont.

Company	Price
Health Care - Cont.	10.50
Health Care - Cont.	10.50
Health Care - Cont.	10.50
Health Care - Cont.	10.50
Health Care - Cont.	10.50
Health Care - Cont.	10.50
Health Care - Cont.	10.50
Health Care - Cont.	10.50
Health Care - Cont.	10.50
Health Care - Cont.	10.50

## HOUSEHOLD GOODS

Company	Price
Household Goods	10.50
Household Goods	10.50
Household Goods	10.50
Household Goods	10.50
Household Goods	10.50
Household Goods	10.50
Household Goods	10.50
Household Goods	10.50
Household Goods	10.50
Household Goods	10.50

## EXTRACTIVE INDUSTRIES

Company	Price
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50
Extractive Industries	10.50

## INSURANCE

Company	Price
Insurance	10.50
Insurance	10.50
Insurance	10.50
Insurance	10.50
Insurance	10.50
Insurance	10.50
Insurance	10.50
Insurance	10.50
Insurance	10.50
Insurance	10.50

## INV TRUSTS SPLIT CAPITAL

Company	Price
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50
Inv Trusts Split Capital	10.50

1510 1010







## OFFSHORE AND OVERSEAS

**BERMUDA  
(REGULATED)(\*)**

Account	Capital	Reserves	Dividend	Dividend	Dividend
	Per Share	Per Share	Per Share	Per Share	Per Share
<b>Architectural Capital Management Ltd</b>					
Architectural Insurance Pk	\$27.23	-	\$400.00		
<b>Northwestern Ind. Investment</b>					
Northwestern Ind. Inv. Fund	\$1.00	1.23	\$500.00		
<b>Bay State Capital Management Ltd</b>					
Bay State Capital Inv. Fund	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund II	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund III	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund IV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund V	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund VI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund VII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund VIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund IX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund X	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XXXIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XL	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund XLIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund L	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXIV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXV	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXVI	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXVII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXVIII	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXIX	\$25.50	-	\$500.00		
Bay State Capital Inv. Fund LXXXXX	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXV</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXVIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIX</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXI</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIII</b>	\$25.50	-	\$500.00		
<b>Bay State Capital Inv. Fund LXXXXXXXIV</b>	\$25.50				

[illegible][illegible][illegible][illegible][illegible][illegible]


<b>Howeville Fund Managers (Guernsey) Ltd</b>		
<b>Hawthorn 6 &amp; 6 Ltd</b>	57,926.87	15.24
<b>Hawthorn 7 &amp; 7 Ltd</b>	1,000	480.45
<b>Hawthorn 8 &amp; 8 Ltd</b>	1,000	480.45
<b>Hawthorn 9 &amp; 9 Ltd</b>	1,000	480.45
<b>Hawthorn 10 &amp; 10 Ltd</b>	1,000	480.45
<b>Hawthorn 11 &amp; 11 Ltd</b>	1,000	480.45
<b>Hawthorn 12 &amp; 12 Ltd</b>	1,000	480.45
<b>Hawthorn 13 &amp; 13 Ltd</b>	1,000	480.45
<b>Hawthorn 14 &amp; 14 Ltd</b>	1,000	480.45
<b>Hawthorn 15 &amp; 15 Ltd</b>	1,000	480.45
<b>Hawthorn 16 &amp; 16 Ltd</b>	1,000	480.45
<b>Hawthorn 17 &amp; 17 Ltd</b>	1,000	480.45
<b>Hawthorn 18 &amp; 18 Ltd</b>	1,000	480.45
<b>Hawthorn 19 &amp; 19 Ltd</b>	1,000	480.45
<b>Hawthorn 20 &amp; 20 Ltd</b>	1,000	480.45
<b>Hawthorn 21 &amp; 21 Ltd</b>	1,000	480.45
<b>Hawthorn 22 &amp; 22 Ltd</b>	1,000	480.45
<b>Hawthorn 23 &amp; 23 Ltd</b>	1,000	480.45
<b>Hawthorn 24 &amp; 24 Ltd</b>	1,000	480.45
<b>Hawthorn 25 &amp; 25 Ltd</b>	1,000	480.45
<b>Hawthorn 26 &amp; 26 Ltd</b>	1,000	480.45
<b>Hawthorn 27 &amp; 27 Ltd</b>	1,000	480.45
<b>Hawthorn 28 &amp; 28 Ltd</b>	1,000	480.45
<b>Hawthorn 29 &amp; 29 Ltd</b>	1,000	480.45
<b>Hawthorn 30 &amp; 30 Ltd</b>	1,000	480.45
<b>Hawthorn 31 &amp; 31 Ltd</b>	1,000	480.45
<b>Hawthorn 32 &amp; 32 Ltd</b>	1,000	480.45
<b>Hawthorn 33 &amp; 33 Ltd</b>	1,000	480.45
<b>Hawthorn 34 &amp; 34 Ltd</b>	1,000	480.45
<b>Hawthorn 35 &amp; 35 Ltd</b>	1,000	480.45
<b>Hawthorn 36 &amp; 36 Ltd</b>	1,000	480.45
<b>Hawthorn 37 &amp; 37 Ltd</b>	1,000	480.45
<b>Hawthorn 38 &amp; 38 Ltd</b>	1,000	480.45
<b>Hawthorn 39 &amp; 39 Ltd</b>	1,000	480.45
<b>Hawthorn 40 &amp; 40 Ltd</b>	1,000	480.45
<b>Hawthorn 41 &amp; 41 Ltd</b>	1,000	480.45
<b>Hawthorn 42 &amp; 42 Ltd</b>	1,000	480.45
<b>Hawthorn 43 &amp; 43 Ltd</b>	1,000	480.45
<b>Hawthorn 44 &amp; 44 Ltd</b>	1,000	480.45
<b>Hawthorn 45 &amp; 45 Ltd</b>	1,000	480.45
<b>Hawthorn 46 &amp; 46 Ltd</b>	1,000	480.45
<b>Hawthorn 47 &amp; 47 Ltd</b>	1,000	480.45
<b>Hawthorn 48 &amp; 48 Ltd</b>	1,000	480.45
<b>Hawthorn 49 &amp; 49 Ltd</b>	1,000	480.45
<b>Hawthorn 50 &amp; 50 Ltd</b>	1,000	480.45
<b>Hawthorn 51 &amp; 51 Ltd</b>	1,000	480.45
<b>Hawthorn 52 &amp; 52 Ltd</b>	1,000	480.45
<b>Hawthorn 53 &amp; 53 Ltd</b>	1,000	480.45
<b>Hawthorn 54 &amp; 54 Ltd</b>	1,000	480.45
<b>Hawthorn 55 &amp; 55 Ltd</b>	1,000	480.45
<b>Hawthorn 56 &amp; 56 Ltd</b>	1,000	480.45
<b>Hawthorn 57 &amp; 57 Ltd</b>	1,000	480.45
<b>Hawthorn 58 &amp; 58 Ltd</b>	1,000	480.45
<b>Hawthorn 59 &amp; 59 Ltd</b>	1,000	480.45
<b>Hawthorn 60 &amp; 60 Ltd</b>	1,000	480.45
<b>Hawthorn 61 &amp; 61 Ltd</b>	1,000	480.45
<b>Hawthorn 62 &amp; 62 Ltd</b>	1,000	480.45
<b>Hawthorn 63 &amp; 63 Ltd</b>	1,000	480.45
<b>Hawthorn 64 &amp; 64 Ltd</b>	1,000	480.45
<b>Hawthorn 65 &amp; 65 Ltd</b>	1,000	480.45
<b>Hawthorn 66 &amp; 66 Ltd</b>	1,000	480.45
<b>Hawthorn 67 &amp; 67 Ltd</b>	1,000	480.45
<b>Hawthorn 68 &amp; 68 Ltd</b>	1,000	480.45
<b>Hawthorn 69 &amp; 69 Ltd</b>	1,000	480.45
<b>Hawthorn 70 &amp; 70 Ltd</b>	1,000	480.45
<b>Hawthorn 71 &amp; 71 Ltd</b>	1,000	480.45
<b>Hawthorn 72 &amp; 72 Ltd</b>	1,000	480.45
<b>Hawthorn 73 &amp; 73 Ltd</b>	1,000	480.45
<b>Hawthorn 74 &amp; 74 Ltd</b>	1,000	480.45
<b>Hawthorn 75 &amp; 75 Ltd</b>	1,000	480.45
<b>Hawthorn 76 &amp; 76 Ltd</b>	1,000	480.45
<b>Hawthorn 77 &amp; 77 Ltd</b>	1,000	480.45
<b>Hawthorn 78 &amp; 78 Ltd</b>	1,000	480.45
<b>Hawthorn 79 &amp; 79 Ltd</b>	1,000	480.45
<b>Hawthorn 80 &amp; 80 Ltd</b>	1,000	480.45
<b>Hawthorn 81 &amp; 81 Ltd</b>	1,000	480.45
<b>Hawthorn 82 &amp; 82 Ltd</b>	1,000	480.45
<b>Hawthorn 83 &amp; 83 Ltd</b>	1,000	480.45
<b>Hawthorn 84 &amp; 84 Ltd</b>	1,000	480.45
<b>Hawthorn 85 &amp; 85 Ltd</b>	1,000	480.45
<b>Hawthorn 86 &amp; 86 Ltd</b>	1,000	480.45
<b>Hawthorn 87 &amp; 87 Ltd</b>	1,000	480.45
<b>Hawthorn 88 &amp; 88 Ltd</b>	1,000	480.45
<b>Hawthorn 89 &amp; 89 Ltd</b>	1,000	480.45
<b>Hawthorn 90 &amp; 90 Ltd</b>	1,000	480.45
<b>Hawthorn 91 &amp; 91 Ltd</b>	1,000	480.45
<b>Hawthorn 92 &amp; 92 Ltd</b>	1,000	480.45
<b>Hawthorn 93 &amp; 93 Ltd</b>	1,000	480.45
<b>Hawthorn 94 &amp; 94 Ltd</b>	1,000	480.45
<b>Hawthorn 95 &amp; 95 Ltd</b>	1,000	480.45
<b>Hawthorn 96 &amp; 96 Ltd</b>	1,000	480.45
<b>Hawthorn 97 &amp; 97 Ltd</b>	1,000	480.45
<b>Hawthorn 98 &amp; 98 Ltd</b>	1,000	480.45
<b>Hawthorn 99 &amp; 99 Ltd</b>	1,000	480.45
<b>Hawthorn 100 &amp; 100 Ltd</b>	1,000	480.45
<b>Hawthorn 101 &amp; 101 Ltd</b>	1,000	480.45
<b>Hawthorn 102 &amp; 102 Ltd</b>	1,000	480.45
<b>Hawthorn 103 &amp; 103 Ltd</b>	1,000	480.45
<b>Hawthorn 104 &amp; 104 Ltd</b>	1,000	480.45
<b>Hawthorn 105 &amp; 105 Ltd</b>	1,000	480.45
<b>Hawthorn 106 &amp; 106 Ltd</b>	1,000	480.45
<b>Hawthorn 107 &amp; 107 Ltd</b>	1,000	480.45
<b>Hawthorn 108 &amp; 108 Ltd</b>	1,000	480.45
<b>Hawthorn 109 &amp; 109 Ltd</b>	1,000	480.45
<b>Hawthorn 110 &amp; 110 Ltd</b>	1,000	480.45
<b>Hawthorn 111 &amp; 111 Ltd</b>	1,000	480.45
<b>Hawthorn 112 &amp; 112 Ltd</b>	1,000	480.45
<b>Hawthorn 113 &amp; 113 Ltd</b>	1,000	480.45
<b>Hawthorn 114 &amp; 114 Ltd</b>	1,000	480.45
<b>Hawthorn 115 &amp; 115 Ltd</b>	1,000	480.45
<b>Hawthorn 116 &amp; 116 Ltd</b>	1,000	480.45
<b>Hawthorn 117 &amp; 117 Ltd</b>	1,000	480.45
<b>Hawthorn 118 &amp; 118 Ltd</b>	1,000	480.45
<b>Hawthorn 119 &amp; 119 Ltd</b>	1,000	480.45
<b>Hawthorn 120 &amp; 120 Ltd</b>	1,000	480.45
<b>Hawthorn 121 &amp; 121 Ltd</b>	1,000	480.45
<b>Hawthorn 122 &amp; 122 Ltd</b>	1,000	480.45
<b>Hawthorn 123 &amp; 123 Ltd</b>	1,000	480.45
<b>Hawthorn 124 &amp; 124 Ltd</b>	1,000	480.45
<b>Hawthorn 125 &amp; 125 Ltd</b>	1,000	480.45
<b>Hawthorn 126 &amp; 126 Ltd</b>	1,000	480.45
<b>Hawthorn 127 &amp; 127 Ltd</b>	1,000	480.45
<b>Hawthorn 128 &amp; 128 Ltd</b>	1,000	480.45
<b>Hawthorn 129 &amp; 129 Ltd</b>	1,000	480.45
<b>Hawthorn 130 &amp; 130 Ltd</b>	1,000	480.45
<b>Hawthorn 131 &amp; 131 Ltd</b>	1,000	480.45
<b>Hawthorn 132 &amp; 132 Ltd</b>	1,000	480.45
<b>Hawthorn 133 &amp; 133 Ltd</b>	1,000	480.45
<b>Hawthorn 134 &amp; 134 Ltd</b>	1,000	480.45
<b>Hawthorn 135 &amp; 135 Ltd</b>	1,000	480.45
<b>Hawthorn 136 &amp; 136 Ltd</b>	1,000	480.45
<b>Hawthorn 137 &amp; 137 Ltd</b>	1,000	480.45
<b>Hawthorn 138 &amp; 138 Ltd</b>	1,000	480.45
<b>Hawthorn 139 &amp; 139 Ltd</b>	1,000	480.45
<b>Hawthorn 140 &amp; 140 Ltd</b>	1,000	480.45
<b>Hawthorn 141 &amp; 141 Ltd</b>	1,000	480.45
<b>Hawthorn 142 &amp; 142 Ltd</b>	1,000	480.45
<b>Hawthorn 143 &amp; 143 Ltd</b>	1,000	480.45
<b>Hawthorn 144 &amp; 144 Ltd</b>	1,000	480.45
<b>Hawthorn 145 &amp; 145 Ltd</b>	1,000	480.45
<b>Hawthorn 146 &amp; 146 Ltd</b>	1,000	480.45
<b>Hawthorn 147 &amp; 147 Ltd</b>	1,000	480.45
<b>Hawthorn 148 &amp; 148 Ltd</b>	1,000	480.45
<b>Hawthorn 149 &amp; 149 Ltd</b>	1,000	480.45
<b>Hawthorn 150 &amp; 150 Ltd</b>	1,000	480.45
<b>Hawthorn 151 &amp; 151 Ltd</b>	1,000	480.45
<b>Hawthorn 152 &amp; 152 Ltd</b>	1,000	480.45
<b>Hawthorn 153 &amp; 153 Ltd</b>	1,000	480.45
<b>Hawthorn 154 &amp; 154 Ltd</b>	1,000	480.45
<b>Hawthorn 155 &amp; 155 Ltd</b>	1,000	480.45
<b>Hawthorn 156 &amp; 156 Ltd</b>	1,000	480.45
<b>Hawthorn 157 &amp; 157 Ltd</b>	1,000	480.45
<b>Hawthorn 158 &amp; 158 Ltd</b>	1,000	480.45
<b>Hawthorn 159 &amp; 159 Ltd</b>	1,000	480.45
<b>Hawthorn 160 &amp; 160 Ltd</b>	1,000	480.45
<b>Hawthorn 161 &amp; 161 Ltd</b>	1,000	480.45
<b>Hawthorn 162 &amp; 162 Ltd</b>	1,000	480.45
<b>Hawthorn 163 &amp; 163 Ltd</b>	1,000	480.45
<b>Hawthorn 164 &amp; 164 Ltd</b>	1,000	480.45
<b>Hawthorn 165 &amp; 165 Ltd</b>	1,000	480.45
<b>Hawthorn 166 &amp; 166 Ltd</b>	1,000	480.45
<b>Hawthorn 167 &amp; 167 Ltd</b>	1,000	480.45
<b>Hawthorn 168 &amp; 168 Ltd</b>	1,000	480.45
<b>Hawthorn 169 &amp; 169 Ltd</b>	1,000	480.45
<b>Hawthorn 170 &amp; 170 Ltd</b>	1,000	480.45
<b>Hawthorn 171 &amp; 171 Ltd</b>	1,000	480.45
<b>Hawthorn 172 &amp; 172 Ltd</b>	1,000	480.45
<b>Hawthorn 173 &amp; 173 Ltd</b>	1,000	480.45
<b>Hawthorn 174 &amp; 174 Ltd</b>	1,000	480.45
<b>Hawthorn 175 &amp; 175 Ltd</b>	1,000	480.45
<b>Hawthorn 176 &amp; 176 Ltd</b>	1,000	480.45
<b>Hawthorn 177 &amp; 177 Ltd</b>	1,000	480.45
<b>Hawthorn 178 &amp; 178 Ltd</b>	1,000	480.45
<b>Hawthorn 179 &amp; 179 Ltd</b>	1,000	480.45
<b>Hawthorn 180 &amp; 180 Ltd</b>	1,000	480.45
<b>Hawthorn 181 &amp; 181 Ltd</b>	1,000	480.45
<b>Hawthorn 182 &amp; 182 Ltd</b>	1,000	480.45
<b>Hawthorn 183 &amp; 183 Ltd</b>	1,000	480.45
<b>Hawthorn 184 &amp; 184 Ltd</b>	1,000	480.45
<b>Hawthorn 185 &amp; 185 Ltd</b>	1,000	480.45
<b>Hawthorn 186 &amp; 186 Ltd</b>	1,000	480.45
<b>Hawthorn 187 &amp; 187 Ltd</b>	1,000	480.45
<b>Hawthorn 188 &amp; 188 Ltd</b>	1,000	480.45
<b>Hawthorn 189 &amp; 189 Ltd</b>	1,000	480.45
<b>Hawthorn 190 &amp; 190 Ltd</b>	1,000	480.45
<b>Hawthorn 191 &amp; 191 Ltd</b>	1,000	480.45
<b>Hawthorn 192 &amp; 192 Ltd</b>	1,000	480.45
<b>Hawthorn 193 &amp; 193 Ltd</b>	1,000	480.45
<b>Hawthorn 194 &amp; 194 Ltd</b>	1,000	480.45
<b>Hawthorn 195 &amp; 195 Ltd</b>	1,000	480.45
<b>Hawthorn 196 &amp; 196 Ltd</b>	1,000	480.45
<b>Hawthorn 197 &amp; 197 Ltd</b>	1,000	480.45
<b>Hawthorn 198 &amp; 198 Ltd</b>	1,000	480.45
<b>Hawthorn 199 &amp; 199 Ltd</b>	1,000	480.45
<b>Hawthorn 200 &amp; 200 Ltd</b>	1,000	480.45
<b>Hawthorn 201 &amp; 201 Ltd</b>	1,000	480.45
<b>Hawthorn 202 &amp; 202 Ltd</b>	1,000	480.45
<b>Hawthorn 203 &amp; 203 Ltd</b>	1,000	480.45
<b>Hawthorn 204 &amp; 204 Ltd</b>	1,000	480.45
<b>Hawthorn 205 &amp; 205 Ltd</b>	1,000	480.45
<b>Hawthorn 206 &amp; 206 Ltd</b>	1,000	480.45
<b>Hawthorn 207 &amp; 207 Ltd</b>	1,000	480.45
<b>Hawthorn 208 &amp; 208 Ltd</b>	1,000	480.45
<b>Hawthorn 209 &amp; 209 Ltd</b>	1,000	480.45
<b>Hawthorn 210 &amp; 210 Ltd</b>	1,000	480.45
<b>Hawthorn 211 &amp; 211 Ltd</b>	1,000	480.45
<b>Hawthorn 212 &amp; 212 Ltd</b>	1,000	480.45
<b>Hawthorn 213 &amp; 213 Ltd</b>	1,000	480.45
<b>Hawthorn 214 &amp; 214 Ltd</b>	1,000	480.45
<b>Hawthorn 215 &amp; 215 Ltd</b>	1,000	480.45
<b>Hawthorn 216 &amp; 216 Ltd</b>	1,000	480.45
<b>Hawthorn 217 &amp; 217 Ltd</b>	1,000	480.45
<b>Hawthorn 218 &amp; 218 Ltd</b>	1,000	480.45
<b>Hawthorn 219 &amp; 219 Ltd</b>	1,000	480.45
<b>Hawthorn 220 &amp; 220 Ltd</b>	1,000	480.45
<b>Hawthorn 221 &amp; 221 Ltd</b>	1,000	480.45
<b>Hawthorn 222 &amp; 222 Ltd</b>	1,000	480.45
<b>Hawthorn 223 &amp; 223 Ltd</b>	1,000	480.45
<b>Hawthorn 224 &amp; 224 Ltd</b>	1,000	480.45
<b>Hawthorn 225 &amp; 225 Ltd</b>	1,000	480.45
<b>Hawthorn 226 &amp; 226 Ltd</b>	1,000	480.45
<b>Hawthorn 227 &amp; 227 Ltd</b>	1,000	480.45
<b>Hawthorn 228 &amp; 228 Ltd</b>	1,000	480.45
<b>Hawthorn 229 &amp; 229 Ltd</b>	1,000	480.45
<b>Hawthorn 230 &amp; 230 Ltd</b>	1,000	480.45
<b>Hawthorn 231 &amp; 231 Ltd</b>	1,000	480.45
<b>Hawthorn 232 &amp; 232 Ltd</b>	1,000	480.45
<b>Hawthorn 233 &amp; 233 Ltd</b>	1,000	480.45
<b>Hawthorn 234 &amp; 234 Ltd</b>	1,000	480.45
<b>Hawthorn 235 &amp; 235 Ltd</b>	1,000	480.45
<b>Hawthorn 236 &amp; 236 Ltd</b>	1,000	480.45
<b>Hawthorn 237 &amp; 237 Ltd</b>	1,000	480.45
<b>Hawthorn 238 &amp; 238 Ltd</b>	1,000	480.45
<b>Hawthorn 239 &amp; 239 Ltd</b>	1,000	480.45
<b>Hawthorn 240 &amp; 240 Ltd</b>	1,000	480.45
<b>Hawthorn 241 &amp; 241 Ltd</b>	1,000	480.45
<b>Hawthorn 242 &amp; 242 Ltd</b>	1,000	480.45
<b>Hawthorn 243 &amp; 243 Ltd</b>	1,000	480.45
<b>Hawthorn 244 &amp; 244 Ltd</b>	1,000	480.45
<b>Hawthorn 245 &amp; 245 Ltd</b>	1,000	480.45
<b>Hawthorn 246 &amp; 246 Ltd</b>	1,000	480.45
<b>Hawthorn 247 &amp; 247 Ltd</b>	1,000	480.45
<b>Hawthorn 248 &amp; 248 Ltd</b>	1,000	480.45
<b>Hawthorn 249 &amp; 249 Ltd</b>	1,000	480.45
<b>Hawthorn 250 &amp; 250 Ltd</b>	1,000	480.45
<b>Hawthorn 251 &amp; 251 Ltd</b>	1,000	480.45
<b>Hawthorn 252 &amp; 252 Ltd</b>	1,000	480.45
<b>Hawthorn 253 &amp; 253 Ltd</b>	1,000	480.45
<b>Hawthorn 254 &amp; 254 Ltd</b>	1,000	480.45
<b>Hawthorn 255 &amp; 255 Ltd</b>	1,000	480.45
<b>Hawthorn 256 &amp; 256 Ltd</b>	1,000	480.45
<b>Hawthorn 257 &amp; 257 Ltd</b>	1,000	480.45
<b>Hawthorn 258 &amp; 258 Ltd</b>	1,000	480.45
<b>Hawthorn 259 &amp; 259 Ltd</b>	1,000	480.45
<b>Hawthorn 260 &amp; 260 Ltd</b>	1,000	480.45
<b>Hawthorn 261 &amp; 261 Ltd</b>	1,000	480.45
<		

[illegible][illegible][illegible][illegible][illegible][illegible][illegible]

Aluminum Co. of America	11 1/2	11 1/2	11 1/2
Aluminum Co. of Canada	11 1/2	11 1/2	11 1/2
Aluminum Co. of India	11 1/2	11 1/2	11 1/2
Aluminum Co. of Japan	11 1/2	11 1/2	11 1/2
Aluminum Co. of Korea	11 1/2	11 1/2	11 1/2
Aluminum Co. of Mexico	11 1/2	11 1/2	11 1/2
Aluminum Co. of Norway	11 1/2	11 1/2	11 1/2
Aluminum Co. of Sweden	11 1/2	11 1/2	11 1/2
Aluminum Co. of Switzerland	11 1/2	11 1/2	11 1/2
Aluminum Co. of Taiwan	11 1/2	11 1/2	11 1/2
Aluminum Co. of Thailand	11 1/2	11 1/2	11 1/2
Aluminum Co. of United Kingdom	11 1/2	11 1/2	11 1/2
Aluminum Co. of United States	11 1/2	11 1/2	11 1/2
Aluminum Co. of USSR	11 1/2	11 1/2	11 1/2
Aluminum Co. of Yugoslavia	11 1/2	11 1/2	11 1/2
Aluminum Co. of Zaire	11 1/2	11 1/2	11 1/2
Aluminum Co. of Zimbabwe	11 1/2	11 1/2	11 1/2
Aluminum Co. of Argentina	11 1/2	11 1/2	11 1/2
Aluminum Co. of Brazil	11 1/2	11 1/2	11 1/2
Aluminum Co. of Chile	11 1/2	11 1/2	11 1/2
Aluminum Co. of Colombia	11 1/2	11 1/2	11 1/2
Aluminum Co. of Costa Rica	11 1/2	11 1/2	11 1/2
Aluminum Co. of Cuba	11 1/2	11 1/2	11 1/2
Aluminum Co. of Dominican Republic	11 1/2	11 1/2	11 1/2
Aluminum Co. of Ecuador	11 1/2	11 1/2	11 1/2
Aluminum Co. of El Salvador	11 1/2	11 1/2	11 1/2
Aluminum Co. of Guatemala	11 1/2	11 1/2	11 1/2
Aluminum Co. of Honduras	11 1/2	11 1/2	11 1/2
Aluminum Co. of Iceland	11 1/2	11 1/2	11 1/2
Aluminum Co. of India	11 1/2	11 1/2	11 1/2
Aluminum Co. of Indonesia	11 1/2	11 1/2	11 1/2
Aluminum Co. of Italy	11 1/2	11 1/2	11 1/2
Aluminum Co. of Japan	11 1/2	11 1/2	11 1/2
Aluminum Co. of Korea	11 1/2	11 1/2	11 1/2
Aluminum Co. of Malaysia	11 1/2	11 1/2	11 1/2
Aluminum Co. of Mexico	11 1/2	11 1/2	11 1/2
Aluminum Co. of New Zealand	11 1/2	11 1/2	11 1/2
Aluminum Co. of Norway	11 1/2	11 1/2	11 1/2
Aluminum Co. of Pakistan	11 1/2	11 1/2	11 1/2
Aluminum Co. of Philippines	11 1/2	11 1/2	11 1/2
Aluminum Co. of Poland	11 1/2	11 1/2	11 1/2
Aluminum Co. of Portugal	11 1/2	11 1/2	11 1/2
Aluminum Co. of Romania	11 1/2	11 1/2	11 1/2
Aluminum Co. of Saudi Arabia	11 1/2	11 1/2	11 1/2
Aluminum Co. of Singapore	11 1/2	11 1/2	11 1/2
Aluminum Co. of South Africa	11 1/2	11 1/2	11 1/2
Aluminum Co. of Spain	11 1/2	11 1/2	11 1/2
Aluminum Co. of Sri Lanka	11 1/2	11 1/2	11 1/2
Aluminum Co. of Sweden	11 1/2	11 1/2	11 1/2
Aluminum Co. of Switzerland	11 1/2	11 1/2	11 1/2
Aluminum Co. of Taiwan	11 1/2	11 1/2	11 1/2
Aluminum Co. of Thailand	11 1/2	11 1/2	11 1/2
Aluminum Co. of United Kingdom	11 1/2	11 1/2	11 1/2
Aluminum Co. of United States	11 1/2	11 1/2	11 1/2
Aluminum Co. of USSR	11 1/2	11 1/2	11 1/2
Aluminum Co. of Yugoslavia	11 1/2	11 1/2	11 1/2
Aluminum Co. of Zaire	11 1/2	11 1/2	11 1/2
Aluminum Co. of Zimbabwe	11 1/2	11 1/2	11 1/2
Aluminum Co. of Argentina	11 1/2	11 1/2	11 1/2
Aluminum Co. of Brazil	11 1/2	11 1/2	11 1/2
Aluminum Co. of Chile	11 1/2	11 1/2	11 1/2
Aluminum Co. of Colombia	11 1/2	11 1/2	11 1/2
Aluminum Co. of Costa Rica	11 1/2	11 1/2	11 1/2
Aluminum Co. of Cuba	11 1/2	11 1/2	11 1/2
Aluminum Co. of Dominican Republic	11 1/2	11 1/2	11 1/2
Aluminum Co. of Ecuador	11 1/2	11 1/2	11 1/2
Aluminum Co. of El Salvador	11 1/2	11 1/2	11 1/2
Aluminum Co. of Guatemala	11 1/2	11 1/2	11 1/2
Aluminum Co. of Honduras	11 1/2	11 1/2	11 1/2
Aluminum Co. of Iceland	11 1/2	11 1/2	11 1/2
Aluminum Co. of India	11 1/2	11 1/2	11 1/2
Aluminum Co. of Indonesia	11 1/2	11 1/2	11 1/2
Aluminum Co. of Italy	11 1/2	11 1/2	11 1/2
Aluminum Co. of Japan	11 1/2	11 1/2	11 1/2

**Exclusive hand made jewellers**  
*Christmas Open*  
**Saturday December 6th. 11.0 - 5.0**  
**Open as usual Monday - 10.0 - 5.0**  
*Christmas Eve*

**20 ALBEMARLE STREET, LONDON**

[illegible][illegible][illegible][illegible]

**Jewellery in 18ct gold.**

*Evening Times*  
 3th & 20th 10am - 4pm  
 Friday 10am - 5.30pm  
 10am - 1pm

ON WEX 41LB TM 0171 499 2870

[illegible][illegible]

	Daily Price	High Price	Low Price	Chg. Last
<b>Investment Asset Management (Ireland) Ltd</b>				
Investment Asset Mgmt	\$1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
Investment Asset Mgmt	1.28			+0.07
<b>INVESTMENT Plus Services (Ireland) Ltd</b>				
INVESTMENT Plus	\$0.52			+0.04
INVESTMENT Plus	0.52			+0.04
<b>Inter Europe Worldwide Fund</b>				
Inter Europe	\$0.11			+0.00
Inter Europe	0.11			+0.00
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.19	0.21		+0.07
Inter Fund Asset Mgmt	0.19	0.21		+0.07
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$4.54			+0.11
Inter Fund Asset Mgmt	4.54			+0.11
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.15			-
Inter Fund Asset Mgmt	0.15			-
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.51			+0.14
Inter Fund Asset Mgmt	0.51			+0.14
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.52			+0.01
Inter Fund Asset Mgmt	0.52			+0.01
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.37			+0.04
Inter Fund Asset Mgmt	0.37			+0.04
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.52			+0.02
Inter Fund Asset Mgmt	0.52			+0.02
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.20			+0.02
Inter Fund Asset Mgmt	0.20			+0.02
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.34			+0.06
Inter Fund Asset Mgmt	0.34			+0.06
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.51			+0.15
Inter Fund Asset Mgmt	0.51			+0.15
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.62			+0.07
Inter Fund Asset Mgmt	0.62			+0.07
<b>Inter Fund Asset Mgmt</b>				
Inter Fund Asset Mgmt	\$0.38			+0.09
Inter Fund Asset Mgmt	0.38			+0.09

[illegible][illegible][illegible][illegible]

	Settle	Strike	Delta	Gamma	Theta
<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	0.00
\$50.00		0.50	0.00	0.00	0.00
\$52.50		0.50	0.00	0.00	0.00
\$55.00		0.50	0.00	0.00	0.00
\$57.50		0.50	0.00	0.00	0.00
\$60.00		0.50	0.00	0.00	0.00
\$62.50		0.50	0.00	0.00	0.00
\$65.00		0.50	0.00	0.00	0.00
\$67.50		0.50	0.00	0.00	0.00
\$70.00		0.50			

<b>Wanger Investment Company PLC</b>					
Common Stock	\$27.75				
Call 10/15/94					
\$25.00		0.50	0.00	0.00	0.00
\$27.50		0.50	0.00	0.00	0.00
\$30.00		0.50	0.00	0.00	0.00
\$32.50		0.50	0.00	0.00	0.00
\$35.00		0.50	0.00	0.00	0.00
\$37.50		0.50	0.00	0.00	0.00
\$40.00		0.50	0.00	0.00	0.00
\$42.50		0.50	0.00	0.00	0.00
\$45.00		0.50	0.00	0.00	0.00
\$47.50		0.50	0.00	0.00	

<p><b>International Asset Management (Joint) Ltd</b>          100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, </p>
---

[illegible]

C	\$10,130	\$15,215	\$15,215
Operating Expenses	1,450	1,450	1,450
Depreciation	1,450	1,450	1,450
Interest	1,450	1,450	1,450
Income Taxes	1,450	1,450	1,450
Other	1,450	1,450	1,450
Operating Income	8,680	13,765	13,765
Operating Expenses	1,450	1,450	1,450
Operating Income	7,230	12,315	12,315
Operating Expenses	1,450	1,450	1,450
Operating Income	5,780	10,865	10,865
Operating Expenses	1,450	1,450	1,450
Operating Income	4,330	9,415	9,415
Operating Expenses	1,450	1,450	1,450
Operating Income	2,880	7,965	7,965
Operating Expenses	1,450	1,450	1,450
Operating Income	1,430	6,515	6,515
Operating Expenses	1,450	1,450	1,450
Operating Income	(1,450)	5,065	5,065
Operating Expenses	1,450	1,450	1,450
Operating Income	(2,900)	3,615	3,615
Operating Expenses	1,450	1,450	1,450
Operating Income	(4,350)	2,165	2,165
Operating Expenses	1,450	1,450	1,450
Operating Income	(5,800)	715	715
Operating Expenses	1,450	1,450	1,450
Operating Income	(7,250)	(735)	(735)
Operating Expenses	1,450	1,450	1,450
Operating Income	(8,700)	(1,185)	(1,185)
Operating Expenses	1,450	1,450	1,450
Operating Income	(10,150)	(2,635)	(2,635)
Operating Expenses	1,450	1,450	1,450
Operating Income	(11,600)	(4,085)	(4,085)
Operating Expenses	1,450	1,450	1,450
Operating Income	(13,050)	(5,535)	(5,535)
Operating Expenses	1,450	1,450	1,450
Operating Income	(14,500)	(6,985)	(6,985)
Operating Expenses	1,450	1,450	1,450
Operating Income	(15,950)	(8,435)	(8,435)
Operating Expenses	1,450	1,450	1,450
Operating Income	(17,400)	(9,885)	(9,885)
Operating Expenses	1,450	1,450	1,450
Operating Income	(18,850)	(11,335)	(11,335)
Operating Expenses	1,450	1,450	1,450
Operating Income	(20,300)	(12,785)	(12,785)
Operating Expenses	1,450	1,450	1,450
Operating Income	(21,750)	(14,235)	(14,235)
Operating Expenses	1,450	1,450	1,450
Operating Income	(23,200)	(15,685)	(15,685)
Operating Expenses	1,450	1,450	1,450
Operating Income	(24,650)	(17,135)	(17,135)
Operating Expenses	1,450	1,450	1,450
Operating Income	(26,100)	(18,585)	(18,585)
Operating Expenses	1,450	1,450	1,450
Operating Income	(27,550)	(20,035)	(20,035)
Operating Expenses	1,450	1,450	1,450
Operating Income	(29,000)	(21,485)	(21,485)
Operating Expenses	1,450	1,450	1,450
Operating Income	(30,450)	(22,935)	(22,935)
Operating Expenses	1,450	1,450	1,450
Operating Income	(31,900)	(24,385)	(24,385)
Operating Expenses	1,450	1,450	1,450
Operating Income	(33,350)	(25,835)	(25,835)
Operating Expenses	1,450	1,450	1,450
Operating Income	(34,800)	(27,285)	(27,285)
Operating Expenses	1,450	1,450	1,450
Operating Income	(36,250)	(28,735)	(28,735)
Operating Expenses	1,450	1,450	1,450
Operating Income	(37,700)	(30,185)	(30,185)
Operating Expenses	1,450	1,450	1,450
Operating Income	(39,150)	(31,635)	(31,635)
Operating Expenses	1,450	1,450	1,450
Operating Income	(40,600)	(33,085)	(33,085)
Operating Expenses	1,450	1,450	1,450
Operating Income	(42,050)	(34,535)	(34,535)
Operating Expenses	1,450	1,450	1,450
Operating Income	(43,500)	(35,985)	(35,985)
Operating Expenses	1,450	1,450	1,450
Operating Income	(44,950)	(37,435)	(37,435)
Operating Expenses	1,450	1,450	1,450
Operating Income	(46,400)	(38,885)	(38,885)
Operating Expenses	1,450	1,450	1,450
Operating Income	(47,850)	(40,335)	(40,335)
Operating Expenses	1,450	1,450	1,450
Operating Income	(49,300)	(41,785)	(41,785)
Operating Expenses	1,450	1,450	1,450
Operating Income	(50,750)	(43,235)	(43,235)
Operating Expenses	1,450	1,450	1,450
Operating Income	(52,200)	(44,685)	(44,685)
Operating Expenses	1,450	1,450	1,450
Operating Income	(53,650)	(46,135)	(46,135)
Operating Expenses	1,450	1,450	1,450
Operating Income	(55,100)	(47,585)	(47,585)
Operating Expenses	1,450	1,450	1,450
Operating Income	(56,550)	(49,035)	(49,035)
Operating Expenses	1,450	1,450	1,450
Operating Income	(58,000)	(50,485)	(50,485)
Operating Expenses	1,450	1,450	1,450
Operating Income	(59,450)	(51,935)	(51,935)
Operating Expenses	1,450	1,450	1,450
Operating Income	(60,900)	(53,385)	(53,385)
Operating Expenses	1,450	1,450	1,450
Operating Income	(62,350)	(54,835)	(54,835)
Operating Expenses	1,450	1,450	1,450
Operating Income	(63,800)	(56,285)	(56,285)
Operating Expenses	1,450	1,450	1,450
Operating Income	(65,250)	(57,735)	(57,735)
Operating Expenses	1,450	1,450	1,450
Operating Income	(66,700)	(59,185)	(59,185)
Operating Expenses	1,450	1,450	1,450
Operating Income	(68,150)	(60,635)	(60,635)
Operating Expenses	1,450	1,450	1,450
Operating Income	(69,600)	(62,085)	(62,085)
Operating Expenses	1,450	1,450	1,450
Operating Income	(71,050)	(63,535)	(63,535)
Operating Expenses	1,450	1,450	1,450
Operating Income	(72,500)	(64,985)	(64,985)
Operating Expenses	1,450	1,450	1,450
Operating Income	(73,950)	(66,435)	(66,435)
Operating Expenses	1,450	1,450	1,450
Operating Income	(75,400)	(67,885)	(67,885)
Operating Expenses	1,450	1,450	1,450
Operating Income	(76,850)	(69,335)	(69,335)
Operating Expenses	1,450	1,450	1,450
Operating Income	(78,300)	(70,785)	(70,785)
Operating Expenses	1,450	1,450	1,450
Operating Income	(79,750)	(72,235)	(72,235)
Operating Expenses	1,450	1,450	1,450
Operating Income	(81,200)	(73,685)	(73,685)
Operating Expenses	1,450	1,450	1,450
Operating Income	(82,650)	(75,135)	(75,135)
Operating Expenses	1,450	1,450	1,450
Operating Income	(84,100)	(76,585)	(76,585)
Operating Expenses	1,450	1,450	1,450
Operating Income	(85,550)	(78,035)	(78,035)
Operating Expenses	1,450	1,450	1,450
Operating Income	(87,000)	(79,485)	(79,485)
Operating Expenses	1,450	1,450	1,450
Operating Income	(88,450)	(80,935)	(80,935)
Operating Expenses	1,450	1,450	1,450
Operating Income	(89,900)	(82,385)	(82,385)
Operating Expenses	1,450	1,450	1,450
Operating Income	(91,350)	(83,835)	(83,835)
Operating Expenses	1,450	1,450	1,450
Operating Income	(92,800)	(85,285)	(85,285)
Operating Expenses	1,450	1,450	1,450
Operating Income	(94,250)	(86,735)	(86,735)
Operating Expenses	1,450	1,450	1,450
Operating Income	(95,700)	(88,185)	(88,185)
Operating Expenses	1,450	1,450	1,450
Operating Income	(97,150)	(89,635)	(89,635)
Operating Expenses	1,450	1,450	1,450
Operating Income	(98,600)	(91,085)	(91,085)
Operating Expenses	1,450	1,450	1,450
Operating Income	(100,050)	(92,535)	(92,535)
Operating Expenses	1,450	1,450	1,450
Operating Income	(101,500)	(93,985)	(93,985)
Operating Expenses	1,450	1,450	1,450
Operating Income	(102,950)	(95,435)	(95,435)
Operating Expenses	1,450	1,450	1,450
Operating Income	(104,400)	(96,885)	(96,885)
Operating Expenses	1,450	1,450	1,450
Operating Income	(105,850)	(98,335)	(98,335)
Operating Expenses	1,450	1,450	1,450
Operating Income	(107,300)	(99,785)	(99,785)
Operating Expenses	1,450	1,450	1,450
Operating Income	(108,750)	(101,235)	(101,235)
Operating Expenses	1,450	1,450	1,450
Operating Income	(110,200)	(102,685)	(102,685)
Operating Expenses	1,450	1,450	1,450
Operating Income	(111,650)	(104,135)	(104,135)
Operating Expenses	1,450	1,450	1,450
Operating Income	(113,100)	(105,585)	(105,585)
Operating Expenses	1,450	1,450	1,450
Operating Income	(114,550)	(107,035)	(107,035)
Operating Expenses	1,450	1,450	1,450
Operating Income	(116,000)	(108,485)	(108,485)
Operating Expenses	1,450	1,450	1,450
Operating Income	(117,450)	(109,935)	(109,935)
Operating Expenses	1,450	1,450	1,450
Operating Income	(118,900)	(111,385)	(111,385)
Operating Expenses	1,450	1,450	1,450
Operating Income	(120,350)	(112,835)	(112,835)
Operating Expenses	1,450	1,450	1,450
Operating Income	(121,800)	(114,285)	(114,285)
Operating Expenses	1,450	1,450	1,450
Operating Income	(123,250)	(115,735)	(115,735)
Operating Expenses	1,450	1,450	1,450
Operating Income	(124,700)	(117,185)	(117,185)
Operating Expenses	1,450	1,450	1,450
Operating Income	(126,150)	(118,635)	(118,635)
Operating Expenses	1,450	1,450	1,450
Operating Income	(127,600)	(120,085)	(120,085)
Operating Expenses	1,450	1,450	1,450
Operating Income	(129,050)	(121,535)	(121,535)
Operating Expenses	1,450	1,450	1,450
Operating Income	(130,500)	(122,985)	(122,985)
Operating Expenses	1,450	1,450	1,450
Operating Income	(131,950)	(124,435)	(124,435)
Operating Expenses	1,450	1,450	1,450
Operating Income	(133,400)	(125,885)	(125,885)
Operating Expenses	1,450	1,450	1,450
Operating Income	(134,850)	(127,335)	(127,335)
Operating Expenses	1,450	1,450	1,450
Operating Income	(136,300)	(128,785)	(128,785)
Operating Expenses	1,450	1,450	1,450
Operating Income	(137,750)	(130,235)	(130,235)
Operating Expenses	1,450	1,450	1,450
Operating Income	(139,200)	(131,685)	(131,685)
Operating Expenses	1,450	1,450	1,450
Operating Income	(140,650)	(133,135)	(133,135)
Operating Expenses	1,450	1,450	1,450
Operating Income	(142,100)	(134,585)	(134,585)
Operating Expenses	1,450	1,450	1,450
Operating Income	(143,550)	(136,035)	(136,035)
Operating Expenses	1,450	1,450	1,450
Operating Income	(145,000)	(137,485)	(137,485)
Operating Expenses	1,450	1,450	1,450
Operating Income	(146,450)	(138,935)	(138,935)
Operating Expenses	1,450	1,450	1,450
Operating Income	(147,900)	(140,385)	(140,385)
Operating Expenses	1,450	1,450	1,450
Operating Income	(149,350)	(141,835)	(141,835)
Operating Expenses	1,450	1,450	1,450
Operating Income	(150,800)	(143,285)	(143,285)
Operating Expenses	1,450	1,450	1,450
Operating Income	(152,250)	(144,735)	(144,735)
Operating Expenses	1,450	1,450	1,450
Operating Income	(153,700)	(146,185)	(146,185)
Operating Expenses	1,450	1,450	1,450
Operating Income	(155,150)	(147,635)	(147,635)
Operating Expenses	1,450	1,450	1,450
Operating Income	(156,600)	(149,085)	(149,085)
Operating Expenses	1,450	1,450	1,450
Operating Income	(158,050)	(150,535)	(150,535)
Operating Expenses	1,450	1,450	1,450
Operating Income	(159,500)	(151,985)	(151,985)
Operating Expenses	1,450	1,450	1,450
Operating Income	(160,950)	(153,435)	(153,435)
Operating Expenses	1,450	1,450	1,450
Operating Income	(162,400)	(154,885)	(154,885)
Operating Expenses	1,450	1,450	1,450
Operating Income	(163,850)	(156,335)	(156,335)
Operating Expenses	1,450	1,450	1,450
Operating Income	(165,300)	(157,785)	(157,785)
Operating Expenses	1,450	1,450	1,450
Operating Income	(166,750)	(159,235)	(159,235)
Operating Expenses	1,450	1,450	1,450
Operating Income	(168,200)	(160,685)	(160,685)
Operating Expenses	1,450	1,450	1,450
Operating Income	(169,650)	(162,135)	(162,135)
Operating Expenses	1,450	1,450	1,450
Operating Income	(171,100)	(163,585)	(163,585)
Operating Expenses	1,450	1,450	1,450
Operating Income	(172,550)	(165,035)	(165,035)
Operating Expenses	1,450	1,450	1,450
Operating Income	(174,000)	(166,485)	(166,485)
Operating Expenses	1,450	1,450	1,450
Operating Income	(175,450)	(167,935)	(167,935)
Operating Expenses	1,450	1,450	1,450
Operating Income	(176,900)	(169,385)	(169,385)
Operating Expenses	1,450	1,450	1,450
Operating Income	(178,350)	(170,835)	(170,835)
Operating Expenses	1,450	1,450	1,450
Operating Income	(179,800)	(172,285)	(172,285)
Operating Expenses	1,450	1,450	1,450
Operating Income	(181,250)	(173,735)	(173,735)
Operating Expenses	1,450	1,450	1,450
Operating Income	(182,700)	(175,185)	(175,185)
Operating Expenses	1,450	1,450	1,450
Operating Income	(184,150)	(176,635)	(176,635)
Operating Expenses	1,450	1,450	1,450
Operating Income	(185,600)	(178,085)	(178,085)
Operating Expenses	1,450	1,450	1,450
Operating Income	(187,050)	(179,535)	(179,535)
Operating Expenses	1,450	1,450	1,450
Operating Income	(188,500)	(180,985)	(180,985)
Operating Expenses	1,450	1,450	1,450
Operating Income	(189,950)	(182,435)	(182,435)
Operating Expenses	1,450	1,450	1,450
Operating Income	(191,400)	(183,885)	(183,885)
Operating Expenses	1,450	1,450	1,450
Operating Income	(192,850)	(185,335)	(185,335)
Operating Expenses	1,450	1,450	1,450
Operating Income	(194,300)	(186,785)	(186,785)
Operating Expenses	1,450	1,450	1,450
Operating Income	(195,750)	(188,235)	(188,235)
Operating Expenses	1,450	1,450	1,450
Operating Income	(1		

[illegible]

	Full Time Salary	Part Salary	Part Rate	Max Rate
<b>Plant Managers - Districts.</b>				
Atlanta Plant Ltd.	3	1,000	75	9,000
Chicago Plant Ltd.	3	1,000	75	9,000
<b>ERSEY</b>				
<b>REGULATED</b>				
	<b>Hours</b>	<b>Rate</b>	<b>Max</b>	<b>Rate</b>
<b>GA Operators Select Plant Limited</b>				
1st Class	25	2.12		
2nd Class	25	1.87		
<b>Genetic Management (Lamprey) Limited</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825
5th Class	25	1.12		3,075
6th Class	25	.87		2,325
7th Class	25	.62		1,575
8th Class	25	.37		.825
<b>Genetic Management (Lamprey) Ltd.</b>				
1st Class	25	2.12		6,075
2nd Class	25	1.87		5,325
3rd Class	25	1.62		4,575
4th Class	25	1.37		3,825

[illegible][illegible][illegible][illegible]

  
*Goldsmiths*  
  


**Exclusive hand made jewellery in 18ct gold.**  
*Christmas Opening Times*  
 Saturday December 6th. 13th & 20th 10am - 4pm  
 Open as usual Monday - Friday 10am - 5.30pm  
 Christmas Eve 10am - 1pm

28 ALBEMARLE STREET, LONDON W1X 4LS Tel 0171 499 3879

[illegible][illegible]

٥٥١ من الألف



### Offshore Funds and Insurances

\* FT Cityline Unit Trust Prices: call 0881 4300010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 973 4378.

**FT MANAGED FUNDS SERVICE**[illegible]



### Offshore Insurances and Other Funds

### Offshore Insurances and Other Funds

٥٥٥ من الألف



## WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

Page 1 of 2

EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE			ASIA			AMERICA			AFRICA		
EUROPE											

**Rockwell Automation  
is leading the  
development of advanced  
superconducting motors.**



<http://www.rockwell.com>

**FT/S&P ACTUARIES WORLD INDICES**

The FT/SPAC Actuarial World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in collaboration with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

REGIONAL MARKETS		FRIDAY NOVEMBER 29 1997										THURSDAY NOVEMBER 27 1997										DOLLAR INDEX	
		US Dollar	%chg	Round Trip Index	Yen	DM	Local Currency	Local % chg from 31/12/96	Gross Div. Yield	US Dollar	%chg	Round Trip Index	Yen	DM	Local Currency	Local %chg from 31/12/96	Gross Div. Yield						
Figures in parentheses show number of times																		Year ago (approx)					
Australia (79)	181.67	-11.5	172.80	158.42	180.07	100.88	2.7	3.94	194.88	175.59	158.42	178.74	190.97	243.90	190.41	222.76							
Australia (79)	181.67	-11.5	172.80	158.42	180.07	100.88	2.7	3.94	194.88	175.59	158.42	178.74	190.97	243.90	190.41	222.76							
Belgium (27)	249.06	5.4	219.15	202.02	226.39	222.51	25.3	3.08	249.06	223.04	202.01	223.75	243.94	261.11	221.21	255.21							
Denmark (28)	212.16	16.6	182.12	166.98	181.21	165.70	13.2	1.85	225.84	189.98	161.27	201.44	480.60	322.48	178.98	178.98							
Denmark (28)	212.16	16.6	182.12	166.98	181.21	165.70	13.2	1.85	225.84	189.98	161.27	201.44	480.60	322.48	178.98	178.98							
France (40)	415.82	8.1	365.88	335.45	381.32	378.73	34.5	1.35	419.27	371.22	352.82	394.55	362.92	428.78	333.94	333.94							
France (40)	415.82	8.1	365.88	335.45	381.32	378.73	34.5	1.35	419.27	371.22	352.82	394.55	362.92	428.78	333.94	333.94							
Germany (28)	297.34	21.1	267.83	238.88	278.27	274.50	22.9	2.49	292.26	292.29	184.01	210.27	212.31	249.73	203.73	211.87							
Germany (28)	297.34	21.1	267.83	238.88	278.27	274.50	22.9	2.49	292.26	292.29	184.01	210.27	212.31	249.73	203.73	211.87							
Hong Kong (40)	312.94	8.2	271.91	248.97	261.02	261.02	32.1	1.44	310.40	294.26	275.18	201.23	201.23	260.33	183.03	198.18							
Hong Kong (40)	312.94	8.2	271.91	248.97	261.02	261.02	32.1	1.44	310.40	294.26	275.18	201.23	201.23	260.33	183.03	198.18							
Indonesia (28)	333.12	30.4	192.79	284.97	323.82	350.45	-30.4	4.55	296.29	315.45	285.88	326.75	355.29	340.03	314.78	314.78							
Indonesia (28)	333.12	30.4	192.79	284.97	323.82	350.45	-30.4	4.55	296.29	315.45	285.88	326.75	355.29	340.03	314.78	314.78							
Japan (40)	379.52	57.4	365.81	78.49	69.22	71.71	48.4	3.18	379.52	365.81	78.49	69.22	71.71	48.4	3.18	379.52							
Japan (40)	379.52	57.4	365.81	78.49	69.22	71.71	48.4	3.18	379.52	365.81	78.49	69.22	71.71	48.4	3.18	379.52							
Malaysia (40)	301.88	30.8	96.08	100.04	140.72	140.72	58.5	1.73	308.80	335.21	93.87	97.15	349.75	380.78	310.28	319.58							
Malaysia (40)	301.88	30.8	96.08	100.04	140.72	140.72	58.5	1.73	308.80	335.21	93.87	97.15	349.75	380.78	310.28	319.58							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81.81	85.49	81.81	91.47	81.81	81.81							
Netherlands (16)	102.48	-20.6	90.17	82.57	93.88	82.57	-12.7	0.68	101.93	90.55	81												

### Emerging markets: BEC investable indices

Dollar terms

[illegible]



## NEW YORK STOCK EXCHANGE PRICES

**1pm close Nov 28**

A		B		C		D		E		F		G		H		I		J		K		L		M		N		O		P		Q		R		S		T		U		V		W		X		Y		Z		AA		AB		AC		AD		AE		AF		AG		AH		AI		AJ		AK		AL		AM		AN		AO		AP		AQ		AR		AS		AT		AU		AV		AW		AX		AY		AZ		BA		BB		BC		BD		BE		BF		BG		BH		BI		BJ		BK		BL		BM		BN		BO		BP		BQ		BR		BS		BT		BU		BV		BW		BX		BY		BZ		CA		CB		CC		CD		CE		CF		CG		CH		CI		CJ		CK		CL		CM		CN		CO		CP		CQ		CR		CS		CT		CU		CV		CW		CX		CY		CZ		DA		DB		DC		DD		DE		DF		DG		DH		DI		DJ		DK		DL		DM		DN		DO		DP		DQ		DR		DS		DT		DU		DV		DW		DX		DY		DZ		EA		EB		EC		ED		EE		EF		EG		EH		EI		EJ		EK		EL		EM		EN		EO		EP		EQ		ER		ES		ET		EU		EV		EW		EX		EY		EZ		FA		FB		FC		FD		FE		FF		FG		FH		FI		FJ		FK		FL		FM		FN		FO		FP		FQ		FR		FS		FT		FU		FV		FW		FX		FY		FZ		GA		GB		GC		GD		GE		GF		GG		GH		GI		GJ		GK		GL		GM		GN		GO		GP		GQ		GR		GS		GT		GU		GV		GW		GX		GY		GZ		HA		HB		HC		HD		HE		HF		HG		HH		HI		HJ		HK		HL		HM		HN		HO		HP		HQ		HR		HS		HT		HU		HV		HW		HX		HY		HZ		IA		IB		IC		ID		IE		IF		IG		IH		II		IJ		IK		IL		IM		IN		IO		IP		IQ		IR		IS		IT		IU		IV		IW		IX		IY		IZ		JA		JB		JC		JD		JE		JF		JG		JH		JI		JJ		JK		JL		JM		JN		JO		JP		JQ		JR		JS		JT		JU		JV		JW		JX		JY		JZ		KA		KB		KC		KD		KE		KF		KG		KH		KI		KJ		KL		KM		KN		KO		KP		KQ		KR		KS		KT		KU		KV		KW		KX		KY		KZ		LA		LB		LC		LD		LE		LF		LG		LH		LI		LJ		LK		LL		LM		LN		LO		LP		LQ		LR		LS		LT		LU		LV		LW		LX		LY		LZ		MA		MB		MC		MD		ME		MF		MG		MH		MI		MJ		MK		ML		MM		MN		MO		MP		MQ		MR		MS		MT		MU		MV		MW		MX		MY		MZ		NA		NB		NC		ND		NE		NF		NG		NH		NI		NJ		NK		NL		NM		NN		NO		NP		NQ		NR		NS		NT		NU		NV		NW		NX		NY		NZ		OA		OB		OC		OD		OE		OF		OG		OH		OI		OJ		OK		OL		OM		ON		OO		OP		OQ		OR		OS		OT		OU		OV		OW		OX		OY		OZ		PA		PB		PC		PD		PE		PF		PG		PH		PI		PJ		PK		PL		PM		PN		PO		PP		PQ		PR		PS		PT		PU		PV		PW		PX		PY		PZ		QA		QB		QC		QD		QE		QF		QG		QH		QI		QJ		QK		QL		QM		QN		QO		QP		QQ		QR		QS		QT		QU		QV		QW		QX		QY		QZ		RA		RB		RC		RD		RE		RF		RG		RH		RI		RJ		RK		RL		RM		RN		RO		RP		RQ		RR		RS		RT		RU		RV		RW		RX		RY		RZ		SA		SB		SC		SD		SE		SF		SG		SH		SI		SJ		SK		SL		SM		SN		SO		SP		SQ		SR		SS	
---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--



## FRANCE

[illegible]**NASDAQ NATIONAL MARKET**[illegible]





## CZECH REPUBLIC

# Dangers may still lie ahead for the coalition government after the economic difficulties of 1997, say Robert Anderson and Kevin Done

## A year of growing uncertainty

Eight years after the collapse of communism, the Czech Republic is the only country in east Europe where the leaders of the reformist governments that emerged after the fall of the Berlin Wall still hold power.

But their grip may be loosening. The last general election 18 months ago robbed the government of its overall majority in the lower house of parliament. Prime Minister Vaclav Klaus has been thrown on to the defensive, scorn of his former arrogant confidence and beset by fractious colleagues in a divided coalition.

Once regarded as an island of stability in a turbulent region, the Czech Republic has entered an era of growing political and economic uncertainty. The showpiece economy has been devalued and the currency devalued and left vulnerable.

The present trouble comes in stark contrast with the achievements of recent years. The Czech Republic has been at the forefront of the integration of the former communist countries of east Europe into western structures. The first country from the region to join the Organisation for Economic Co-operation and Development (OECD), the Czech Republic now stands on the threshold of joining Nato and opening negotiations to join the European Union.

Such successes presently count for little at home, however, where Mr Klaus's leadership is under intense scrutiny. The future of his government has again been called into question by recent desertions by senior party colleagues and by the overtures of his main coalition partner towards the opposition. The prospect of early elections looms, but such a move would take the country into difficult uncharted constitutional waters at a time when worries over the health of President Vaclav Havel have resurfaced only weeks before he is due to stand for re-election.

The government has begun belatedly to repair some of the economic deficiencies exposed by the currency crisis in the spring, but it may be too late to save the reputation of Mr Klaus.

Prague is presently obsessed with debilitating speculation as to whether the government's downfall is most likely to be caused by plotting by rivals within Mr Klaus's own Civic Democratic party (ODS), by splits

within the Civic Democratic Alliance (ODA), the smallest of the three coalition partners, or by the defection of the Christian Democrats, who have become increasingly estranged from the rest of the centre-right coalition and appear to be contemplating an eventual coalition with the Social Democratic opposition.

The feverish manoeuvring is a symptom of the transformed political balance and the realisation that the painful task of restructuring the economy is far from complete and will require further reforms and a period of tough austerity.

Until the elections of June 1998 Mr Klaus's authority as the author of the Czech transformation was unquestioned and his party was dominant within the three-party coalition, which in turn had little real opposition in parliament.

The coalition's failure to win a majority in that election ushered in a new era, however, in which the Christian Democrats and the right-wing ODA have played a bigger role in cabinet discussions, and Mr Klaus has had to horse-trade with the opposition and an independent member of parliament, who holds the balance of power.

Growing signals that all was not right in the economy culminated, however, in the currency crisis in May, which really undermined Mr Klaus's authority and that of the government. (These problems were compounded this past summer when devastating floods inundated a large part of the east of the country).

The currency was forced out of its fluctuation band largely because of worries that the current account deficit, which reached around 8 per cent of gross domestic product (GDP) last year, had become unsustainable. The growing imbalance reflected a surge in domestic demand and poor export performance, as wage increases outpaced productivity.

The government was forced to introduce two austerity packages in the late spring, which together cut spending by around 2.5 per cent of GDP. The tough 1998 budget currently working its way through parliament continues the painful medicine.

The economic troubles were caused in part by delays in enterprise restructuring and the failure to develop a well-functioning capital market.

The Czech model of economic transformation, founded on the vaunted method of mass privatisation through vouchers (given to the population to exchange for shares) has had some unhappy consequences. Large parts of industry are now controlled by investment funds, owned or managed in many cases by the leading banks, which are still owned to a significant degree by the state.

Wheeler-dealing by the funds was left deliberately unimpeded by regulation, in the hope that strong owners would emerge to restructure the companies. Unfortunately this system has held back restructuring, with banks reluctant to force companies controlled by their funds into bankruptcy and funds reluctant to sell stakes in case their banks lost lucrative contracts and loan deals. Ownership has remained fragmented, corporate governance poor and the lack of regulation has encouraged fraud.

Only in the last month has belated progress been made towards tighter capital market regulation with the approval in the lower house of parliament of legislation to establish a Securities and Exchange Commission aimed at bringing greater transparency to the stock market and at preventing the insider trading and fraud that have taken place.

In recent weeks the lower house has also passed amendments to banking legislation, and the cabinet has agreed to investment fund reforms which together will reduce the links between banks, funds and companies. Most fundamentally, the cabinet has also agreed to the sale of the state stakes in the four leading banks, opening the way to significant foreign investment in banking.

Ivan Pilip, the finance minister, insists that "there is a political willingness to continue with reform". The key areas that still need to be addressed are changes to the bankruptcy law to speed restructuring and to allow banks to reclaim their bad loans, and an overhaul of the legal system to ensure better implementation and enforcement of legislation.

There are early signs that the economy is beginning to respond to the tough measures taken earlier this year. Trade figures are improving as the austerity packages restrict domestic demand, and exports benefit from the



devaluation and from stronger foreign demand in particular in Germany.

But Mr Klaus may not be around long enough to enjoy the improving economic environment, particularly if his coalition partners are panicked by public reaction to the austerity programme. The budget freezes wages in the public sector and welfare spending while rents and energy prices are to be raised closer to market lev-

els. Unemployment, while still lower than in neighbouring countries, is rising and could reach 6 per cent next year.

The unions have already mounted one national demonstration and the coming wage round will provide a fresh test of whether wage growth will continue to outstrip productivity gains. The government caved in to a railwaymen's strike last February and they could pose a

problem again next year as the railways' managers try to get to grips with spiralling losses.

The disillusionment is reflected in a fall of 10 percentage points in the opinion polls for Mr Klaus's Civic Democrats since the election, and the Social Democrats have opened up a nine-point lead.

This has put further pressure on a government, which has looked increasingly pre-

carious since it survived a vote of no confidence in July by one vote. Six ministers have quit since the election. "This government is growing ideologically apart," says Jiri Pehe, a political analyst.

"The parties spend more time attacking each other than on constructive work."

The most dangerous period lies ahead. When Josef Zelenec resigned as foreign minister in October, the Christian Democrats

demanded a review of government strategy at the annual conference of the coalition due in January, and called for a vote of confidence.

The move, widely seen as an effort to oust Mr Klaus or even as a preparation for leaving the coalition, was rejected, but Josef Lux, leader of the Christian Democrats, must still be placated, if the government is to stay in office.

Economic summary		1996	1997 Estimate
Total GDP (Kc billion)		1,400	1,646
Real GDP growth (annual % change)		4.1	1.0
GDP per head (\$)		5,330	6,041
Inflation, end year (annual % change in CPI)		8.6	9.0
Gross average monthly wages (annual % change)		17.7	13.0
Industrial production (annual % change)		6.4	2.0
Unemployment rate (% of labour force)		3.5	5.0
Broad money, end year (annual % change)		9.2	7.0
Net foreign direct investment (\$ billion)		1.4	1.0
Gross reserves excluding gold, end year (\$bn)		12.4	11.0
General government balance (% of GDP)		-1.1	-1.6
External debt stock, convertible currency (\$bn)		20.4	22.0
Current account balance (\$bn)		-4.5	-3.7
Exports (\$bn)		21.7	20.4
Imports (\$bn)		27.7	25.6
Trade balance (\$bn)		-6.0	-5.1
Main trading partners (share of total trade to world, 1996)			
60.9% Exports EU Imports 61.1%			
21.4% CEFTA 16.3%			
13.9% of which Slovakia 11.8%			
1.7% EFTA 2.2%			
Manufacturing International reserves of monetary authorities			

## symbol of partnership



Komerční banka, a.s., Head office: Na Příkopě 33, 114 07 Prague 1, Czech Republic.  
 Tel.: +420(2)22432111, Fax: +420(2)24243020, Telex: 121831, Swift: KOMB CZ PP  
 Representative Offices: 35 Moorgate, London EC2R 6BT □ 4th Tverskaya-Yamskaya Street 33/10, 125047 Moscow □ Westendstraße 21, 60 325 Frankfurt am Main □ 660 Madison Avenue, New York 10021 □

We are the largest bank in the Czech Republic. We offer corporate and private clients a wide range of international banking and advisory services, including corporate finance. Our local knowledge is unrivalled.

the art of stability



Prague's predicament: the Czech Republic's recent problems are a painful awakening

Prague 1997

## 2 CZECH REPUBLIC

POLITICS • by Robert Anderson

## An uneasy balancing act

Mr Klaus keeps a nervous eye on his squabbling coalition partners and his own party

For Vaclav Klaus, the republic's prime minister for the past five years, 1997 has largely been a year worth forgetting.

Having lost his parliamentary majority in the June 1996 election, his economic credibility was severely damaged during the currency crisis in May. He barely survived a vote of confidence in July winning 101 votes to 98.

As the economy weakened and the government's austerity programme began to hit voters' pockets, Mr Klaus' centre-right administration was rocked by divisions and attacks on his leadership. More recently, the opposition Social Democrats (CSSD) have opened a 9 point lead in the opinion polls over his Civic Democratic Party (ODS).

Mr Klaus, once the commanding personality of Czech politics, is no longer even his party's unchallenged leader. Senior figures, notably vice chairman Miroslav Macek, openly attack his leadership and in October the foreign minister, Josef Zienlenec, a founding member of the ODS and its most popular figure, resigned in what was widely seen as an attempt to challenge the premier.

If so, the gambit failed as Mr Klaus moved quickly to name a replacement and the party closed ranks around its leader. Jiri Pehe, a political analyst, says: "The ODS is afraid of existing without Mr Klaus. Within the ODS inner circle, Mr Klaus has been strengthened by the resignation but in the long run he has been weakened."

But the most serious threat to his leadership and even to the three-party coalition itself is the increasingly semi-detached attitude of the Christian Democrat KDU-ČSL. Josef Lux, its leader, is pushing the government to adopt social market policies to meet the economic prob-

lems exposed by the currency crisis and the slow-down in growth.

Mr Klaus, who has said the social market is a contradiction in terms, has been able to balance the Christian Democrats against the right-wing Civic Democratic Alliance (ODA), which has called for more vigorous free market measures. But, increasingly, he has had to play the role of ringmaster, as the two parties - who co-operated prior to the election to check the power of the ODS - quarrelled over budget cuts, tank sales to Algeria and preparations for Nato membership.

"The coalition has lost its capacity to act and its cohesiveness. There are more things it disagrees about than it agrees on," says a senior member of the coalition.

However, there are also a few signs that the coalition is regaining some momentum. The decision to make deep budget cuts at a time when the coalition's future was in doubt and when it was low in the polls showed considerable bravery. The government is also at last beginning to carry out some of the reforms that its critics, especially foreign investors, have been calling for, particularly in the fields of capital market regulation and bank privatisation.

Much of the credit for this must be given to the new finance minister, Ivan Filip, who - as a recent convert to the party - has none of the political baggage that its older leaders carry. Mr Klaus is to be commended for allowing Mr Filip, whose youth excludes him as a serious political rival, to throw out key elements of his once-vaunted economic model. Mr Klaus, against his own instincts, is at last perhaps becoming a consensus politician.

However, two daunting obstacles lie in the way of the coalition's recovery. The budget passed its first reading in October by one vote but the coalition only has 100 seats in the 200-member lower house. It is reliant for its majority for the remain-

der of the bill's progress on Josef Wagner, an independent who defected from the Social Democrats. He did not vote in the first reading and has called for a more growth-oriented strategy. He is, however, likely to continue supporting the government because he would face political oblivion if elections were to be called.

The bigger obstacle is the coalition conference on January 6 called to assess the government's progress. Mr Lux's call for the drawing up of a new coalition programme followed by a vote of confidence has been rejected by Mr Klaus, but the conference will certainly hear strong criticism of the government's policies and there is a risk that, unless the Christian Democrats are given some face-saving concessions, they could leave the coalition altogether.

Mr Lux said in an interview: "Our wish is that the coalition continues, but visible changes must be made. I am close to the ODS and I wish the co-operation to continue but it must be followed by a change of behaviour. I am not in a fight with Mr Klaus but I am trying to achieve concrete results and I wish these were mutual."

Mr Lux's bluff has been called repeatedly by Mr Klaus because his party is unable to form a government with the Social Democrats in the current parliament. Polls indicate that they would have to rely on the Communists for a majority if elections were held now, a contingency both parties reject. Moreover, if Mr Lux is seen as deliberately wrecking the government the Czech people, who value stability, are likely to punish his party at the elections.

It is also unclear whether his party's position in a coalition with the Social Democrats would be a happier one. Allying with the CSSD will be a step into the unknown and there is strong feeling of suspicion against Milos Zeman, its volatile leader, among the Christian Democrat rank and file.

Mr Zeman will certainly try to exploit any difficulties

the coalition has at its conference. "We will probably call a vote of no-confidence in February," he said in an interview.

However, even if the government fails and the parliament passes a constitutional amendment to dissolve, indications do not look good for Mr Zeman. His savage criticism of the government has managed to raise his party's support less than 3 percentage points from the last election to 29 per cent, and that has only registered in the latest polls. Support for the coalition is still 36 per cent.

Social Democrat support is likely to rise as economic austerity bites but unless the divided ODA or the far-right republicans fall beneath the 5 per cent threshold needed to enter parliament, they are still likely to have to rely on both

the communists and the Christian Democrats to form a government.

If the government lasts long enough to allow early signs of economic recovery to mature into general feelings of well-being in the populace and is seen as having regained its momentum, the poll's findings will look even bleaker for Mr Zeman and Mr Lux as their room for manoeuvre disappears.

It is possible then for the problems of 1997 to be forgotten and the squabbling of the coalition partners dismissed as merely routine by an electorate which has only experienced a system akin to one-party rule. As Jiri Weigl, Mr Klaus's chief adviser, argues: "The current situation is not extraordinary, it was the last four years [of coalition stability] that were exceptional."



Pleasant politics: Premier Vaclav Klaus and German Chancellor Helmut Kohl toast improved relations between their nations. The Czech Republic is now moving towards EU membership, though Mr Klaus may not be in power to see it through

EU MEMBERSHIP • by Robert Anderson

## Preparations come but slowly

After a good start, the country has suffered from a crisis of resolution

The Czech government has at last begun to take the preparation for European Union entry seriously, as it has become obvious that rather than being ahead of Poland and Hungary, the country may even be lagging behind.

The European Commission's assessment in July of the Czech application to join says: "Confident of its progress towards meeting the obligations of EU membership, the Czech Republic has at times shown signs of reluctance to acknowledge difficulties and seek a collaborative approach in resolving them."

Now the government appears to have woken up. "I feel there is now a firmer commitment since the election even though it is not often publicly pronounced,

said Joannes ter Haar, head of the European Commission delegation to the Czech Republic. "We would, of course, like to see this commitment more openly expressed."

There is a recognition that a lot of work still needs to be done. Cyril Svoboda, deputy foreign minister, said: "We agree with the criticisms of our performance." His ministry has taken over the co-ordination of preparations for EU membership from the finance ministry and his committee will lead negotiations with the EU, which are expected to start in March.

The Czech Republic sailed through the first of the Copenhagen criteria for membership, that of "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities". The only important caveats were regarding the lustration law - which bans members of the former Communist regime and collaborators with the secret police from public service

jobs - access of the press to administrative documents, and discrimination against the Romany population.

The government has promised to cancel the lustration law by 2000 when a new civil service law will be put in place, a freedom of information law is being prepared in parliament and the cabinet has adopted a series of recommendations to improve the lot of the Romanies. One western ambassador said it was a shame that the wave of Romany emigration to Canada and the UK this autumn had become an international issue because the government was already taking positive action.

On its ability to take on the obligations of EU membership, the country fares less well. The commission says: "The real progress made in transposing legislation still needs to be accompanied by concrete measures of implementation, as well as establishment of an effective administrative underpinning."

The EC highlighted the

inefficiencies of the courts and the need to modernise and remove from politics the cumbersome bureaucracy, as well as the slowness in building a regional government system. Mr ter Haar says: "In order to effectively manage and in particular enforce the acquis (community law) a strong and efficient public service is essential."

But it is the second criterion, "the existence of a functioning market economy, as well as the capacity to cope with competitive pressures and market forces within the union", that is perhaps the most problematic. The commission highlighted the lack of corporate governance and the weakness of the banking and financial system, as well as the need to press on with enterprise restructuring in order to redress the trade deficit.

If these problems are not addressed and growth stagnates, the Czech Republic, which has 55 per cent of the average GDP per capita of

the EU, will have great difficulty catching up with the rest of the union and its industry would suffer within the single market.

The government is addressing these concerns by setting up a stock market regulator and proposing measures to privatise the banks - cutting the web of links between them, investment funds and companies. A western diplomat said: "Things are moving in the right direction but not as rapidly and as soon as we would have wished."

What the EU would also like to see is a government committed to preparing the populace for EU membership and its implications for the nation, especially since it has ruled out a referendum which would have aired these issues. Joannes ter Haar says: "There is a desire for a more substantial debate about the implications of EU membership. We should not allow the mistakes the union made in explaining itself to its citizens to happen here."

YOU CAN BE GUIDED BY TRUST  
AND YOU CAN TRUST YOUR  
REAL PARTNER

**Portfolio Management  
Excellent Brokerage  
& Research  
Initial Public Offering**

Evropská 178, 160 67 Prague 6, Czech Republic, Tel.: (+ 420-2) 2436 4000  
Fax: (+ 420-2) 2436 4039, Internet web page: www.pis.cz, E-mail: gabriela@pis.cz, Reuters Page: PISQ, PISR

**PRAGUE  
INTERNATIONAL  
SECURITIES**

INVESTING IN CENTRAL & EASTERN EUROPE? WE ARE.

AS YOU EVALUATE OPPORTUNITIES IN CENTRAL AND EASTERN EUROPE AND THE CIS, WE CAN HELP.

Our commitment to the region speaks for itself:

- 45 attorneys, fluent in 13 languages, qualified to practice in 12 jurisdictions
- On-the-ground experience in 18 countries
- Transactions totaling billions of dollars

**Squire, Sanders & Dempsey  
L.L.P.**  
LEGAL COUNSEL WORLDWIDE

Contact: Joseph P. Markoski by Fax: +44-171-776-5233  
or E-mail: JMarkoski@ssd.com or GNaccarato@ssd.com

Bratislava • Brussels • Budapest • Cleveland • Columbus • Houston • Jacksonville • Kyiv • London • Madrid  
Miami • Moscow • New York • Phoenix • Prague • Washington

**SPA HOTEL BRISTOL PALACE**  
KARLOVY VARY

SPECIALLY DESIGNED FOR  
RECREATION PROGRAMS FOR  
BUSINESS PROFESSIONALS

SPA HOTEL BRISTOL, s.r.o.  
Sokolov 19, 360 98 Karlovy Vary  
Tel.: 00420/371 311351  
Fax: 00420/371 26683  
E-mail: bhotel@pis.prnet.cz

- mineral baths, massages, electrotherapy, magnetic-field therapy
- lympho-drainage, oxygen-therapy, aquagym, mud therapy
- sauna, swimming, fitness court, walks
- special weight loss, rejuvenating and anticellulite programs

**hh securities**  
MEMBER AND SHAREHOLDER OF THE PRAGUE STOCK EXCHANGE

**The Stable Point On The Czech Capital Market**

Anchutal 10  
110 00 Praha 1  
Czech Republic  
Total: MALLKX080148CUTRIB CZ

Tel.: +420 2 - 31 892 211  
+420 2 - 21 882 111  
Fax: +420 2 - 21 892 268



ECONOMY • by Kevin Done

# Paying the price for hesitation

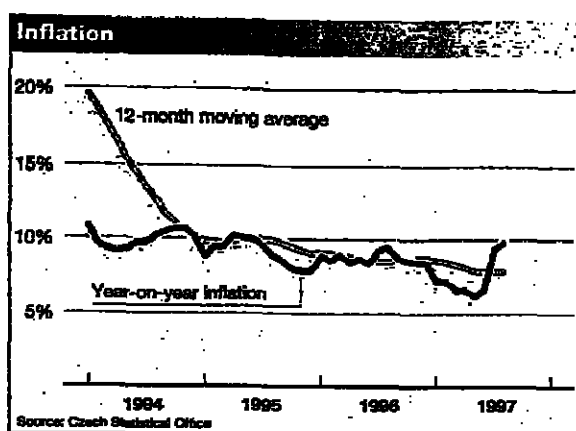
A tougher policy is planned in order to accelerate restructuring

It has been a tough year for the Czech Republic, which was once considered the most successful transition economy in eastern Europe. The authorities were forced to devalue the currency, ending several years of foreign exchange stability. Growth has stalled, inflation is rising, and austerity budget packages are required to bolster shaken foreign confidence.

The central bank spent \$2bn in foreign exchange reserves in a vain attempt to aid the currency in May, before abandoning the fixed exchange rate system for a managed floating exchange rate. There has been an effective devaluation of 10 per cent against the D-Mark with a more substantial fall against the dollar.

The Czech Republic is paying the price for its previous failure to accelerate the pace of restructuring, for delays in reform, for its unwillingness to tackle the vexed issue of capital market regulation, and for its loss of international competitiveness as real wage increases continued to outpace growth in productivity.

The country has also been hit by natural disaster with one-third of the country affected by devastating floods in July, which in addition to the immediate human misery caused, have acted to further depress economic growth this year and



increase pressures on the state budget.

Continuing tough monetary policy pursued by the central bank since the second half of last year, combined with the belated response by the embattled Czech government to tighten fiscal policy during the late spring, appear to be having the desired effect, however.

The latest trade figures show a sharp improvement in the country's export performance, a slowing in the rate of growth of imports and a shrinking of the overall current account deficit, the level of which had played a key role in undermining confidence last year.

While the better trading performance is resulting in part from the measures taken to rein in growth in domestic consumption and thus dampen demand for imports, it stems too from the recovery in demand from the country's main export markets in western Europe. The most significant recovery has been in Germany, the Czech Republic's most important trading partner,

which in the first half of this year accounted for 38 per cent of its exports and 28 per cent of imports.

The cumulative trade deficit slowed to Kč103.6bn (\$3.1bn) in the first 9 months, down from a deficit of Kč108bn for the same period of 1996. The deficit in September stood at Kč5.9bn, down from Kč8.9bn in August, much better than expected and the lowest monthly deficit this year.

Exports rose by 36 per cent year-on-year in September, compared with a growth of 22 per cent in imports and, encouragingly, there is a continuing shift to higher value added exports, in particular of machinery and transport equipment.

The legacy of this year's crisis has been higher interest rates, which are still running two to three percentage points higher than before the attack on the currency in the spring. Rising inflation is running at more than 10 per cent year-on-year after falling below 7 per cent in the second quarter. The government has belatedly

PROFILE The 1997 floods

## Recovery after the waters retreated

The floodwaters may have receded, but the Czech Republic and neighbouring Poland are still counting the cost of the worst natural disaster to hit the country for over 100 years.

In the Czech Republic alone the government estimates the damage at more than Kč80bn (\$1.8bn). By the end of July, floods had inundated more than 1m ha of land and had claimed 50 lives in the Czech Republic and 55 in Poland.

The disaster forced at least 180,000 people out of their homes in both countries, ruined crops, destroyed or damaged thousands of houses, public buildings and businesses. It disrupted all types of communications, as roads and railways were flooded and partially destroyed, and hundreds of bridges were washed away by rivers swollen to record levels.

The worst ever recorded flooding in the eastern region of the Czech Republic and south-west Poland came after torrential rains battered the Krkonoše and Jeseníky mountains along the border between the two countries. It began with strong local thunderstorms on Friday July 4 and lasted for 5 days. Further intense rains fell later in the month on July 18-19.

During a two-week period,

daily rainfalls were between 20mm and 240mm, when the normal monthly average for that time of year is only 60mm. Between one-third and half the annual average rainfall for such latitudes fell in just three days of early July with 500mm recorded in the watershed region of the Jeseníky mountains. The resulting wave of floodwater flowed north into Poland along the Odra (Oder) river and along the Morava river flowing south to the Danube.

At the peak of the flooding, "100-year flow rates were greatly exceeded" along the Odra river and its tributaries, the Bělá, Opava, Opavice and Ostravice rivers according to a report from the Czech environmental ministry. In the regions of Moravia and eastern Bohemia 1,800km of roads were flooded and damaged, leaving 115km and 850 bridges in need of urgent repair. At least 48 bridges were completely destroyed, along with 23 rail bridges and 140km of track. A total of 860km of track were flooded and, by the time the waters receded, 538 cities and towns had been affected by the floods. Power supplies were interrupted to 200,000 customers, 90,000 main telephones were put out of operation, drinking water supplies were



These livestock drowned near Ostrava

Don Knyaz/AP

interrupted in 52 municipalities and sewage systems and water treatment plants were damaged across the region. The Czech Republic mobilised more than 6,300 police and 1,300 soldiers with fire brigades brought in from all 77 districts of the country to cope with the immediate disaster. Between July 6 and 22 nearly 23,000 professional and volunteer firemen were in action.

The government estimates that of the Kč80bn of flood damage, more than half (around Kč38bn) was suffered by businesses, including the water authorities, with damage to state and municipal property estimated at Kč19.5bn. Damage to

personal property was estimated at Kč8.5bn.

The grimy heavy industry city of Ostrava in northern Moravia with a population of 330,000 was among the areas worst hit by the floods, as it lies at the confluence of three rivers, the Odra and its tributaries the Opava and Ostravice. "River levels in the city were 6m above normal," says Vilem Adamce, chief of disaster planning for Ostrava.

A river like the Danube was flowing through parts of the city, 15,000 people were evacuated. The water was 1.5m deep at the railway station. For one day Ostrava was only accessible by air, the water level changed very quickly as new flood waves came in,

some days the water could not be measured, it was so high. The river banks are designed for a 100 years flood, but this was much worse.

The planning system is designed for regular disasters and there is a 50 per cent reserve above this, when that is exceeded you must get catastrophe resources. No single city can have resources to cope with this.

"We had problems with traffic and food supplies - there was panic buying. A power station was under water, that was very tense until other connections could be made to the grid. The telecoms building was flooded with sewage."

Parts of the city's sprawling steel and chemicals plants were inundated and 500 tonnes of oil waste flowed out from the refinery - but was eventually contained by emergency dams before it could reach the Odra.

"It will take several years to get the city back to normal," says Mr Adamce. "There is a debate whether to rebuild in some areas, that lie in the flood plain. We must see what it is like after the winter, how buildings suffer from the frost and whether they collapse."

Kevin Done

Czech economic forecast to 2001 (%)	1996	1997*	1998*	1999*	2000*	2001*
GDP (real growth)	4.7	10.2-11.2	2.5-3.5	3.5-4.5	4.5-5.5	5.0-6.0
Inflation	8.8	9.0-10.0	8.0-9.0	7.0-8.0	5.5-6.5	4.0-5.0
Unemployment rate	3.5	14.0-15.0	5.0-6.0	5.5-6.5	6.0-7.0	5.0-7.0
Money supply (M2)**	8.2	7.0-9.0	7.0-9.0	7.0-9.0	8.0-10.0	7.5-9.5

After publication of two government packages of economic measures at the turn of first and second quarters, and taking into consideration the economic consequences of July 1997 floods. \* Forecast data from 1997 onwards is revised. \*\* Growth rate compared to previous December. Source: National Bank.



Prague, the capital of the Czech Republic, is famous for its historical architecture and picturesque views. Československá obchodní banka, with its headquarters in Prague and with a network of offices in both the Czech and Slovak Republics, is renowned worldwide for its experience, stability, wide range of banking services and prompt execution of financial transactions. If you are looking for a capable financial partner who knows the way around the new markets of Central and Eastern Europe, you need Československá obchodní banka to work with you.

## Your Friend in the Heart of Europe

Head office:  
Na Příkopě 14, 115 00 Praha 1, Czech Republic



**ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.**  
World-class services for the successful

Prague Bratislava Frankfurt am Main Chicago London Moscow Paris



**ČKD**

PRAHA HOLDING, a.s.

One of the Largest Heavy Engineering Companies in Central and Eastern Europe

• 125-Year-Long History  
• 1996 Consolidated Sales  
CZK 10,050 bn (USD 305m)

• Over 40% Exports and Growing  
• Present Market Capitalization  
CZK 5.2 bn (USD 158m)

### PRIMARY BUSINESSES:

#### RAIL TRANSPORT

- Major rail transport supplier to Eastern Europe Markets:
  - 23 000 trains in 89 cities (one out of every 3 trains in the world have been built in Prague's factory of ČKD)
  - 14 000 locomotives worldwide (Ex-Soviet Union-8050 locomotives)
  - New metro (underground) train unit for Prague's Metro built in a consortium with Siemens and Adtranz
  - New electric double-decker commuter train
  - Brand new high-speed train (250 km/h) for Berlin-Prague-Vienna railway corridor built in a consortium with Siemens and FIAT
  - Exports will increase from over 40% to 60% of rail transport sales by 1998
- Markets:
  - Established markets (domestic, Slovakia, Poland, Hungary, Ukraine, Russia, Poland): New transport units and complete transport systems, refurbishment and upgrades, strong demand for spare parts
  - New markets (Philippines, Yugoslavia, Vietnam, Turkey, USA): New complete transport systems and units, increased emphasis on service and maintenance contracts
- Competitive Advantages:
  - Low price, reputation for quality, large installed base, active service and support, production can be tailored to suit customers' needs, short delivery terms

#### ENVIRONMENTAL EQUIPMENT

- Production focused on fuel savings and ecology:
  - Pollution control equipment, waste incineration
  - Industrial burners, co-generation units
  - Cooling industrial systems
  - Exports account for 18 - 25%
- Markets:
  - Established markets: domestic, Slovakia, Germany, Russia
  - New markets: China, South Korea, Vietnam
- Competitive advantages:
  - the most complex production base
  - pricing

#### TURN-KEY PROJECTS

- Large-scale engineering projects in areas:
  - Compressor stations for gas pipelines and underground gas storage reservoirs
  - Transport systems infrastructure
  - Water treatment plants, waste water treatments plants
  - Compressor plants for mining, metallurgy and petrochemical industry
  - Refrigerating plants for food industry
  - Exports account for 40 - 50%
- Markets:
  - Established markets: domestic, Slovakia, Syria, Russia, Iran, Iraq, South Korea
  - New markets: Greece, China, South Africa, South America

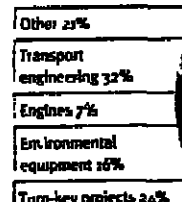
#### DIESEL

#### ENGINES

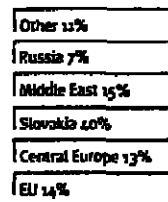
#### AND GENERATORS

- 22kW to 3 000 kW engines generators:
  - 5 000 diesel engines, 10 000 diesel aggregates, 8000 marine engines worldwide
  - Exports account for 60% mainly to traditional territories
- Markets:
  - Established markets: India, South America, Germany, Russia, Egypt
  - New markets: Greece, Italy
  - Developed long-term customer relationships
- Technological developments:
  - New engine introduction at the end of 1997
  - Cooperation with Perkins Engines (US)
  - Co-generation equipment and dual-fuel engines and aggregates
- Competitive advantages:
  - Established customer base, lower price and custom design service

#### REVENUES BY SEGMENT



#### EXPORT BREAKDOWN



ČKD PRAHA HOLDING, a.s.  
Freyova 27  
190 02 Prague 9  
Czech Republic

Phone: (+420 2) 6603 4330, -3351, -7293, 82 20 28  
Fax: (+420 2) 6603 6501  
E-mail: rus@ckd.cz  
http://www.ckd.cz

## 4 CZECH REPUBLIC

STOCK MARKET • by Vincent Boland

## Looking beyond recent turmoil

Companies work to reverse the problems which drove western investors away

Investors in Czech equities were having a bad year even before the Asian crisis hit emerging markets in the past two months.

A devaluation and its attendant monetary squeeze, wretched corporate results, disruptive and costly flooding, state budget overruns and the slow pace of price deregulation all combined to keep sentiment negative towards the Prague stock exchange.

A lone bright spot could be detected in a better export climate, on which the Czech economy is heavily dependent. But it was not enough to stop the stagnation of the PX50 index of leading PSE shares, which has been drifting in a fairly narrow range for most of this year. The index this month is hovering near its 1997 low of 476.7, with trading volumes remaining modest.

Like most markets in the region, the Prague bourse is heavily dependent on foreign investment for momentum. But the market is being bypassed as investors seek greater opportunities in Poland and Hungary, where

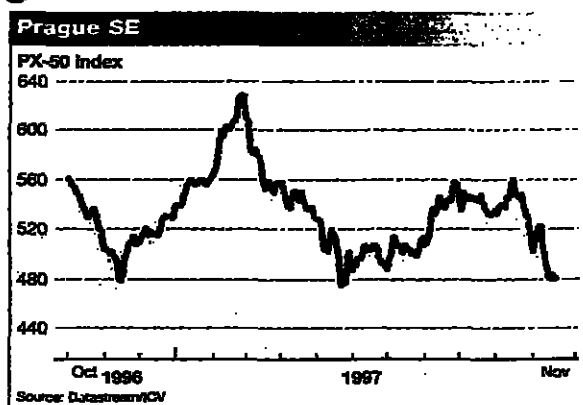
their boisterous markets have heavily outperformed Prague's in each of the last two years.

London-based fund managers, in general, have been underweight in Czech stocks for some time, partly for reasons of deteriorating corporate and economic fundamentals and partly because of the murky trading environment that plagues the PSE. In the short term, it appears that this situation is not going to change dramatically across the market as a whole.

Danielle Downing, emerging Europe strategist at Salomon Brothers, says the Czech Republic has failed to attract the attention of the big western pension and investment funds because of the haphazard format of its reform programme. This was in contrast to Hungary, which tops most fund managers' lists of favoured locations in the region at the moment.

"Hungary did extremely well with a very specific reform package and sell-off programme. It is doing the right thing for long-term restructuring, which has drawn the attention of the big investors. The Czech Republic has not done that," Ms Downing says.

The limited choice of stocks the PSE offers is an additional handicap. Only



three - the telephone monopoly SPT Telecom, the petrochemicals group Unipetrol, and the electricity utility CEZ - have market capitalisations in excess of \$1bn, while fewer than 10 are liquid enough. The market capitalisation of the PX50 index is about \$17bn.

But the biggest dampener has been a string of poor corporate earnings reports. This pattern began in the second half of 1996 and continued throughout 1997, exacerbated by declining growth in gross domestic product and May's devaluation of the koruna. Analysts say few companies have escaped the effects of the country's economic slowdown.

The domestic squeeze now looks likely to affect corporate earnings growth into

next year, says Anna Bosong, head of central and eastern Europe research at Daiwa Europe. Daiwa has cut its forecasts for expected earnings growth for this year by about half, to 9 per cent, and recommends a zero weighting in the Czech Republic.

"There won't be many companies that are immune to the slowdown in the economy. There will definitely be single-digit earnings growth in 1998," Ms Bosong says.

There are some bright spots on the horizon, however. Western investors have generally welcomed the government's two austerity budgets, unveiled in the wake of the currency crisis. While the impact of these measures, which include cuts in public spending and a clamp-

down on high wage growth, will have been dented by the cost of this summer's serious flooding - which is estimated to have cost businesses at least Kč30bn - it is clear that the government is aware of the need for a round of fiscal tightening.

What is more, Czech exporters have been winning a number of high-quality export orders this year, especially in the engineering sector, where the top companies are beginning to emerge from a difficult period. Germany's improved economic performance should also benefit the main Czech exporters.

And there are signs that price deregulation is gathering pace. Last month the finance ministry proposed raising household energy tariffs by up to 40 per cent in each of the next two years, on top of VAT increases already announced. Both the energy sector and the industry ministry have been pushing for faster liberalisation of price controls, and this proposal is seen as going a long way towards achieving that.

Analysts are already suggesting the move, if it is actually pushed through, could lead to a re-evaluation of the rating system of the energy sector, with a particular focus on CEZ, which is still state-controlled. Jona-

than Garner, emerging Europe equity strategist at Robert Fleming, says he is now "relatively optimistic on some leading stocks," and as a result has switched from being heavily underweight to being neutral on Czech equities.

A fourth positive signal is evidence that at least some Czech companies are preparing to raise capital on the international markets, rather than through domestic banks. Bonton, a privately-held media group, and Ceske Radiokomunikace, a telecoms group, are planning international share offerings (Bonton recently postponed its initial public offering because of market turmoil but is likely to return early in 1998).

However, there are not yet enough such companies to make a trend, and bank privatisation and an end to the entangled shareholdings of Czech industry will be needed before Czech corporates follow their Polish and Hungarian counterparts to the international capital markets.

"A lot of companies would like to come to the equity markets but they are constrained by their shareholding structure and the poor state of the market. I'm not looking for any real improvement there," Ms Bosong says.

REGULATORS • by Vincent Boland

## An agency to fight the abuses

Stock market corruption will finally be tackled by a new watchdog

After years of avoiding the issue, the Czech Republic finally has a stock market watchdog. In early November, parliament approved the creation of a new securities commission to oversee the operations of Prague stock exchange (PSE), which remains a classic insider's market four years after it began trading.

The "Commission for Securities Trading" should be up and running by next February. Its establishment was seen as an imperative in order to convince foreign investors of the safety of investing in Czech equities. After several cases of serious abuse of shareholder rights were highlighted in recent months, and because the perception of fraud hung heavily over the PSE.

The commission is nominally modelled on the US securities and exchange commission. Its arrival coincides with other important moves to bring new and more thorough-going legislation to bear on the structure and management of the Czech financial sector, with wide implications for industrial ownership and the freedom of companies to choose how to raise capital.

The other measures include amendments to the banking act and to the act governing the running of investment funds, which emerged as the biggest shareholders of industrial companies after coupon privatisation. The changes are designed to break the chain of ownership that allows banks, which control many investment funds, to exercise undue influence over the corporate sector.

Taken as a package, the measures are the most comprehensive changes yet, and go at least some way towards meeting investor criticisms of the Czech capital markets. "The fact that they all came through at the same time has to indicate some kind of political will to move forward. It is important to acknowledge that," says Howard Golden, head of the New York-based Central European Privatisation Fund and a critic of government inaction on cleaning up Prague's capital markets.

But while investors have generally welcomed the moves to strengthen the banking and investment fund acts, they have been underwhelmed by the securities commission. They have two main reservations.

The first concern is that the new institution will turn out to be a watered-down version of what was originally proposed, and remains answerable to the finance ministry - often viewed as the biggest obstacle to reform - rather than the market. "It is being financed by the [state] budget rather than by market players, so there is a question mark over its independence," says Jiri Benes, Czech equities analyst at Deutsche Morgan Grenfell.

The fear, shared by many observers, is that this could result in the commission's being undermined from within the ministry, factions of which have long opposed any market regulation. It could also compromise its effectiveness in establishing

a reputation for toughness and impartiality.

The second reservation is that the commission's success depends critically on the people appointed to run it. They have not yet been named, but already some prominent leaders of the drive for capital market reform are said to have rejected overtures to sit on the commission because they believe it is not sufficiently independent of government.

"The critical question is who will run this commission. It will be extremely hard to find the right people to run it," Mr Benes says. At one point there was talk of a prominent foreign figure being asked to head the body, but there are doubts whether that would be acceptable politically.

The creation of the commission therefore sends the right signal to foreign investors, observers say, but it does not mean that such investors will come flooding back into a market many of them have been ignoring. That may take some time to achieve, and the effectiveness of the new institution may have to be demonstrated before too much trust is placed in its ability to police the market.

"The commission is a big step forward for the Czech Republic but a small step forward in terms of solving the market's problems," Mr Golden says.

By the time it is up and running, the commission will have taken over responsibility for market regulation from the finance ministry, and will have 60 people. One of its first tasks will be to review licences issued by the ministry to set up broking and dealing operation in Prague.

The "all-are-welcome" policy favoured by the ministry has created hundreds of broking firms, some of which are either ignorant of or routinely flout market regulations by trading on inside information, failing to settle trades and other dubious practices. "In the past, anyone who asked got a licence to trade" - that was completely crazy, Prague has more broking firms than London," says Tomas Jizek, chairman of the stock exchange and another advocate of reform.

Mr Jizek, who also has reservations about the commission's independence but is prepared to plough on, believes the Czech Republic now needs a takeover panel to complement the other new measures, and he has put together a proposal on the issue for the commission to adopt, possibly by as early as next March.

The panel would recommend that any investor taking a stake of more than 5 per cent in a company should disclose it, and that a takeover bid would be triggered if a stake exceeded 30 per cent. Currently the limits are 10 per cent and 50 per cent, respectively. If all of these initiatives succeed in getting through, and are seen to be working properly, the Czech Republic's financial markets would be transformed. But however welcome they are, they are unlikely in themselves to bring foreign investors back. "All these things are positive factors. But the most important thing [for foreign investors] is good company results. At this stage, these are not present," says DMG's Mr Benes.

FOREIGN INVESTMENT • by Kevin Done

## Need to build on early success

Critics say not enough has been done to attract more inward investors

Last year Matsushita, one of the leading Japanese consumer electronics groups, took the plunge in the Czech Republic. It decided to invest around \$68m to build its first television plant in central Europe in the industrial city of Plzen (Pilsen) in western Bohemia.

Masafumi Omoto, execu-

tive director of Matsushita Television Central Europe is delighted with the move thus far. Volume production began in April only 12 months after the land was purchased.

"This is a world record programme. We have 26 television factories in the world and this was shortest construction period of any of them. We reached the first milestone of 1,000 sets a day in four months, that was also the fastest start-up of any of our plants."

The factory, producing Panasonic television sets,

also reached quality levels within 4 months that had required years to attain at other locations.

By 2000 the plant should be assembling 1m sets a year with a workforce of more than 1,000, with 95 per cent of output being exported. One-third will be sent to western Europe, one-third to countries of the former Soviet Union, and the rest to eastern Europe and the domestic Czech market.

The success of the Matsushita plant and other similar inward investment projects is not sufficient to convince

every sceptical foreign investor seeking a greenfield site in Europe that the Czech Republic is the place to choose, however.

The competition for projects is fierce, and the country appears to be losing out at the moment in the fight to attract a \$500m project planned by Intel of the US for the final stage of production and testing of its Pentium computer chips. The plant could create 3,000 jobs in the first stage and later phases could take investment towards \$1bn.

The Czech Republic has been in negotiations with Intel for nearly a year, it has made the short-list, but there are growing fears in Prague that the paucity of investment incentives available in the Czech Republic could persuade Intel to opt for a rival site in Portugal or Egypt.

On a cumulative basis since 1989, the Czech Republic is still second only to Hungary with \$7.5bn of foreign direct investment committed between 1990 and mid-1997, but the forecast for the whole of this year is for only \$1bn, down from \$1.4bn in 1996 and \$2.5bn in 1995, when investment was inflated by privatisations in the telecoms and oil sectors.

"We are exposed to very hard competition internationally, when most economies are trying to attract foreign direct investment to bring in modern technologies for the 21st century," says Jan Havelka, chief executive of Czechinvest, the investment promotion agency. "The Intel project is like that, it is very mobile, offers high technology and is independent of raw materials, cheap labour or soft environmental regulations."

According to Czechinvest the Czech Republic is losing the fight for a lot of desirable projects in recent years

because it does not offer the lavish incentives available to attract in many competing countries.

This is a "dangerous" trend, says Mr Havelka, because "foreign direct investment is the only reliable source of capital and know how for the restructuring and modernisation of Czech industry at a time when the stock exchange is not functioning very well, debt financing is difficult because of bad debt problems at the banks, and foreign loans are risky with a floating currency."

In an effort to persuade the government to make the investment regime more attractive to future foreign interest, Czechinvest published a study in early November which claimed that foreign manufacturing companies are already playing an important and dynamic role in the Czech economy.

Foreign groups accounted for between 40 and 50 per cent of Czech exports of manufactured goods last year and the share has risen further in 1997, says the report. Some 64 per cent of the companies in the survey export more than half of their production, 66 per cent were net job creators between 1993 and 1996 and 38 per cent are working three shifts a day.

Foreign concerns "provide increased competitiveness and higher growth, and the companies that are in best shape today are those that were sold to foreign concerns or are businesses started on a greenfield site," says Mr Havelka.

To date, the government has resisted calls for it to start matching the scale of incentives offered by other countries, however, on the grounds that such a move would be a distortion of the free market economy, but Mr

Karel Kühnl industry and trade minister, admits that "there is very fierce competition for foreign investment and we don't want to lose."

Government policy is being reviewed, but Mr Kühnl insists that any measures will have to be non-discriminatory between foreign and domestic companies. "Investors are not really persuaded by incentives. They want a predictable and reliable legal and macroeconomic environment, they want cheap labour and good infrastructure as well as the location and industrial traditions."


Such an approach may not be enough to win the Intel project, but it was enough to persuade Matsushita, albeit prior to this year's economic turmoil.

Mr Omoto says that the Japanese group looked at 27 locations in the Czech Republic, Poland, Hungary and Slovakia before choosing Plzen. It was attracted by the logistics and the position at the centre of Europe - equidistant between Madrid and Moscow, by the country's stability with lower inflation and interest rates than in neighbouring countries, and by the foreign exchange regime, one of the most liberal in the region. The good infrastructure of the site and a well-educated workforce were also important factors.

Absenteeism remains a problem, as is the difficulty of finding suitable domestic suppliers able to deliver the needed components on time and with the necessary degree of quality, but Mr Omoto still believes that Matsushita will be able to produce television sets in Plzen at 10 per cent lower costs than, for example, in the UK. "We can reach much higher productivity, and wage rates are a quarter of the UK level."



Matsushita is delighted with the results of its \$68m investment in a television plant in Bohemia, which reached target performance levels in just four months



## THE GATE TO THE CZECH CHEMICAL INDUSTRY AND AGRICULTURE

WE INVITE YOU TO INQUIRE ABOUT BUSINESS OPPORTUNITIES

**Contact address:**  
**AGROFERT, Joint-Stock Company**  
**Roháčova 83**  
**130 00 Prague 3**  
**tel.: 420/2/612 16 054 - 61**  
**fax: 420/2/644 06 22**  
**CZECH REPUBLIC**

Have your FT hand delivered in

## The Czech Republic

and get the first 4 weeks free.

For more information about this special offer for new subscribers contact the Subscription Department in Frankfurt on +49 69 156850 or fax on +49 69 596 44 83 or write to us at Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt/Main, Germany.



BANKING • by Robert Anderson

# Spotlight on sell-offs

The government has finally decided to proceed with privatisation

The long awaited privatisation of the Czech banking sector should begin in earnest next year. "We are at the decisive period at the start of privatisation," says Richard Salomann, head of Komerční Banka, central Europe's largest bank and the sale's prize lot.

The sale of the top four banks, which control about 60 per cent of the sector's assets, will allow foreign banks into a highly-developed market where their influence has been marginal until now and will prepare the sector for European Union entry.

But the sale of Investiční a Poštovní Banka (IPB) and the three new tenders which are expected to be announced in February will shine a spotlight on the ill-advised loans the banks made in the first flush of privatisation of Czech industry.

They also come at a time when the banks have struggled with the impact of the currency depreciation in May, the twin austerity packages and the consequent economic slowdown.

The government decided last month to begin the privatisation of the three banks simultaneously, and to sell at least a 34 per cent blocking minority to one buyer in the case of Komerční, where it holds a 49 per cent stake, and Česka Sportelna, the 45

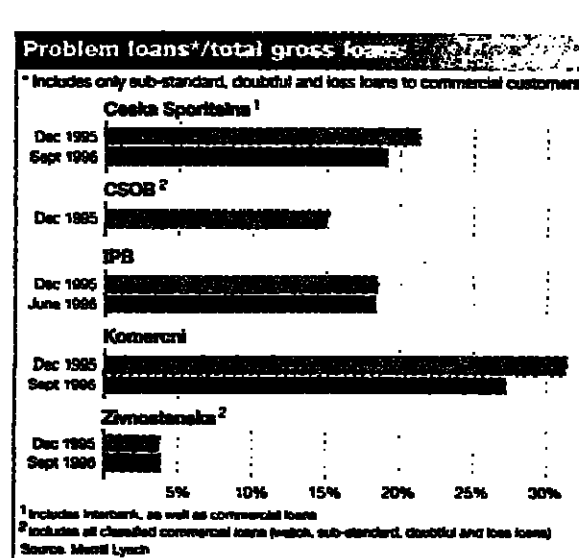
per cent state-owned savings bank. With Československá Obchodní Banka (CSOB), the 66 per cent state-owned former foreign trade bank, at least 51 per cent will be sold to one buyer and the bank appears keen to become the regional hub of a foreign bank's network.

Komerční and Česka Sportelna have fought to avoid a similar fate but they will each still be sold to one dominant investor, with the European Bank for Reconstruction and Development and International Finance Corporation, the investment arm of the World Bank, likely to be involved.

Advisers for each sale are expected to be chosen this month and Pavel Štěpánek, deputy finance minister, says: "At least one bank could be sold in 1998."

One potential hiccup is the shares given to the Slovak government in Komerční and CSOB as part of the settlement of the break-up of Czechoslovakia in 1993. There is a dispute over the exact size of the stake the Czechs are holding on Slovakia's behalf in Komerční, and CSOB, where the Slovak National Property Fund holds 24 per cent, is pursuing K24bn in Slovak debts in the Court of Arbitration in Washington. Both issues have become entangled with the wider question of the assets and debts left over from the split and a prime ministerial summit in October did little to resolve them.

However, Mr Štěpánek says "privatisation will be started irrespective of a deal with Slovakia" and if neces-



sary the National Property Fund will sell only those Komerční shares (34 per cent) that are not disputed. The government must, however, convince buyers not to greatly reduce their bids after they have examined the banks' books. In the case of IPB, which the Japanese bank Nomura agreed to buy in July, there is speculation that when the two audits are completed this month the government will have to assume some of the bank's bad assets and agree to a price as low as K2bn.

But at IPB, the third biggest bank, only around 20 per cent of its loans are classified, (where no interest or principal has been paid for 30 days or more). Česka Sportelna has 23.5 per cent and Komerční Banka a formidable 32.7 per cent. On a large proportion of

was not possible until last year because of taxation rules and doing so quickly now will eat into the bank's assets, leaving them perilously close to falling below the required 8 per cent capital adequacy ratio. Currently, IPB has only 8.23 per cent, Sportelna 9.9 per cent and Komerční 10.23 per cent.

It will hit profits at a time when easy earnings are becoming harder to come by as net interest margins tighten and other sources of income have not yet developed sufficiently.

The banks also suffered specific problems which damaged profits. The raising of interest rates in the spring when the national bank tried to protect the koruna, led banks to buy short-term deposits at high prices to maintain liquidity and caused the price of their bond portfolios to slump. Komerční has made provisions of K11.8bn this year to reflect the fall in value of its bond portfolio and Sportelna has put aside K21bn.

The economic slowdown and widespread flooding in July have also hurt banks. The top three have reported a severe decline in net profits in the first three quarters. Komerční by 88 per cent, Česka Sportelna by 20 per cent, and IPB profits by 62 per cent.

Though the trading environment is unfavourable, a more vigorous effort now to write off bad debts, even at the cost of reporting losses, might reassure foreign investors that the banks are getting to grips with their portfolios.

STEEL • by Kevin Done

## Sector's rush to modernise

The Czech steel industry is taking steps in order to compete internationally

With the backing of an international banking consortium, Nova Hut, the largest of the Czech steel producers, has embarked on an ambitious investment programme aimed at closing the yawning gap on its western competitors.

The group faces an uphill struggle for survival, hampered by an unpromising legacy of outdated technology and a product mix ill-suited to market demands.

Helped by the recovery in steel prices, however, it is currently generating sufficient profits to fund a modernisation programme that will allow it both to diversify



Nova Hut aims to catch up with its western competitors

into higher value added products, while also cutting pollution from its sprawling complex at Ostrava in the north-east of the Czech Republic.

The cornerstone of the Nova Hut strategy is a

\$650m investment programme, to be completed by 2000, aimed at modernising its steel-making technology, improving environmental protection and shifting its product mix towards flat rather than long products.

It includes the building of a new 1m tonnes a year steel mill for producing hot rolled coil, as well as the installation of equipment to allow the company to switch belatedly to 100 per cent continuous casting of steel, an energy-saving technology adopted by western steelmakers many years ago.

The new hot rolled coil mill is being engineered and designed under a turn-key contract by ICF Kaiser International, the US engineering group, and should begin operations in the summer of 1999.

While some steel industry consultants have questioned the viability of the strategy, it has received strong and controversial backing from the International Finance Corporation (IFC), the private sector financing arm of the World Bank.

The IFC signed loan agreements totalling \$250m for the project in June, the largest financing it has arranged in the Czech Republic, despite the fact that Nova Hut at the time was still primarily state-owned.

The package consists of a \$75m, 12-year loan for the IFC's own account and a \$175m, 10-year syndicated loan provided by a group of 17 banks from Germany, Japan, Austria, Korea, the US, France and Belgium. An additional K2.7bn loan has been provided by a consortium of Czech banks led by Komerční Banka.

"Our strategy is to concentrate mainly on our domestic Czech market," says Jaroslav Petros, Nova Hut chief executive, with the aim of reducing exports from the present share of production of close to 50 per cent.

The Nova Hut group wants increasingly to supply the automotive industry with steel for wheels and other parts, the construction industry with light building materials and the food and beverage industries with steel for cans. The supply of crash barriers will also be important, as the Czech Republic expands its motorway building efforts.

Steps are being taken to rationalise steel production in the whole region. Nova Hut's rival steelma-

ker Vítkovice is closing its three outdated blast furnaces located near the centre of Ostrava by the end of July next year. The two groups have formed a joint venture, Vysoká Pece, which will be owned 66 per cent by Nova Hut and 34 per cent by Vítkovice, to take over the Nova Hut blast furnaces. With more than 3m tonnes hot metal capacity, the former Nova Hut units will be able to supply the needs of both groups and achieve 98 per cent capacity utilisation, "the highest possible" according to Mr Petros, rather than the 70 per cent utilisation at present.

As part of the restructuring, Vítkovice is to focus its operations more towards machinery manufacturing and mechanical engineering and away from basic metallurgy, and it has also been forced to cede ownership of a 70,000 tonnes a year cold rolling mill to Nova Hut.

The acquisition is one of a series of moves made by Nova Hut to ensure that it has outlets for the output of hot rolled coil from its new mill from 1999. Three years ago it took a 33 per cent share in the 70,000 tonnes a year Kralupy Dvůr cold rolling mill located near Ostrava, where Nova Hut wants to replace VZS of Slovakia as the dominant supplier of hot rolled coil.

What remains to be secured as a condition of the IFC loan package is the further privatisation of Nova Hut itself, in which the Czech National Property Fund has continued until recently to own a 68.3 per cent stake.

A planned initial public offering of an 18.3 per cent stake aimed at bringing the state holding down to below 50 per cent foundered in the summer. Instead, the 18.3 per cent stake is being passed for a nominal sum to Credit Suisse First Boston, the international investment bank, which has been given up to two years to sell the shares.

In addition, Nova Hut top management has been allowed to buy a 1 per cent stake, and a group of around 25 senior executives has been given the even greater incentive of acquiring a further 10 per cent stake for a symbolic amount, if they manage to complete the investment programme on time and, in the process, succeed in doubling the Nova Hut share price between the end of 1996 and the end of 2001.

### SURVEYS PROGRAMME AND INDEX

For a copy of the latest SURVEY PROGRAMME or an INDEX OF PAST SURVEYS, please use the FT Surveys Fax-U-Back service.

The fax numbers to call are: 0990 209 908 (programme) 0990 209 907 (index)

For callers outside the UK, the numbers to call are: +44 990 209 908 (programme) +44 990 209 907 (index)

Technical note: Fax should be in 'polling mode'. If you have a handset on your fax machine, dial the Fax-U-Back number and press 'start' when instructed. Alternatively, the number can be dialed direct from the fax keyboard, followed by 'start'. If you have problems using this service, please call 0171 873 4378. Callers from outside the UK should dial: +44 171 873 4378

### ADVERTISEMENT

#### INTERVIEW

Daniel Gladiš

## An interview with Mr. Daniel Gladiš, Chairman of Atlantik Financial Markets - Further privatization of Czech banks

**Q. It was announced recently that Czech government has decided to privatize its stakes in the 3 largest Czech banks - Komerční banka, Česka sportelna and CSOB. What exactly would happen and where is the opportunity for investors?**

**A.** First of all I have to say that the proposal drafted by the Ministry of Finance, the driving force in bank privatization, was just recently submitted to the government for consideration. The proposal called for the state to commence with the sale of state owned stakes in the banks you've already mentioned. There is an opportunity here for both strategic and portfolio investors, since the proposed privatization method combines sales to strategic investors with sales in the secondary markets. And of course, there is an opportunity for investment bankers to bid for the mandates to organize the deals for the government. The fact that the size of the whole deal is somewhere between 1.5 and 2 bln USD makes it interesting for everyone.

**Q. But would the investors be satisfied with the quality of assets offered?**  
**A.** They could certainly be happy with the quality of assets in the case of CSOB, which has a low percentage of bad loans and they are more than fully covered by provisions.

The answer is not so simple when you look at KB and CS. In these banks the ratio of loans to customers to total assets is rather high and



the percentage of loans under special review is also high. But all of these can be reflected in the price at which the banks will be offered. All three banks still have higher credit ratings than the Polish or Hungarian governments, which might suggest that the market exaggerates the seriousness of the loan situation.

**Q. What will be the procedure?**  
**A.** The Ministry of Finance requested in their proposal that the privatization of all three banks start simultaneously and immediately. Upon approval, the search for investment bankers to manage the deal will begin. There should be a separate manager for each of the three banks. The managers will initiate tenders in February and

by the middle of June the strategic investors should be chosen.

**Q. Which privatization methods would be used?**

**A.** In the case of CSOB, it is proposed to sell 51% to one investor and float the remainder on the market. In the case of KB and CS, a blocking minority of 34% should be sold to one investor and the remaining government minority stake in each bank kept for later sale.

**Q. What is the future investor expected to bring?**

**A.** The new strategic investors should improve the banks management, introduce better risk control, strengthen the banks' capital bases and develop new products and services. All this should lead to the greater competitiveness necessary for an international environment.

**Q. What might delay the privatization or even make it not happen?**

**A.** The deal is being strongly promoted by the Minister of Finance who was appointed recently and seems to understand the needs of the economy and capital markets. The only thing which could either stop or delay bank privatization would be a failure of political will by the government.

Atlantik Financial Markets  
Hilkeho 6, 602 00 Bonn, CR  
Tel.: (420) (05) 45 51 21 11  
Fax: (420) (05) 45 51 21 01

Note: The Czech Government Approved The Proposal Submitted By The Ministry of Finance On November 19th, 1997.

Verbundnetz  
Gas AG

## Energy on the move



We are an east German gas merchant company: our day-to-day business shows us what it takes to put the east German economy on the move towards recovery: energy. For us, energy isn't just natural gas - even though natural gas is the most popular form of energy with consumers, utilities and businesses. For us, it is also the initiative, flexibility and commitment needed to put our economy back on its feet. Together with our partners in energy - regional distributors, local government and industry - we have already moved a long way within a short space of time. We are able to supply natural gas via an area-wide network to all parts of east Germany - a major achievement which has received international recognition. Now we are focusing on the finer details: greater flexibility in gas purchasing and the ability to meet growing demand for gas. That makes us the right partner for energy.

Verbundnetz Gas AG - Braunschweig 7 - 04547 Leipzig - Germany - Telephone: (00 49) 34 14 43-01

## 6 CZECH REPUBLIC

BREWING • by Robert Anderson

## Merger fever hits

Czech brewers now want a greater share of the profitable foreign market

The Czech brewing industry is suffering from an outbreak of consolidation fever as the top companies jostle within the very competitive domestic market and seek the critical mass to export.

The clearest sign of this is the corporate battle between Pilsensky Prazdroj, the market leader, and Prague Breweries, 55 per cent owned by UK brewer Bass, to take over Radegast, the country's second biggest brewery.

Six brewing groups control 23 of the country's 66 breweries, produce 70 per cent of beer and 92 per cent of exports but analysts believe eventually only two or three dominant groups will survive. Bass, currently the third biggest brewer, thinks there may be only one group that will ultimately count.

It had been negotiating with IPB, the Czech bank, to increase its stake in Radegast from 33 per cent when Nomura, the Japanese bank, agreed to buy the bank in July. Nomura halted the sale and in October bought the bank's stake in Radegast itself. IPB and Nomura are now trying to merge Prazdroj, 60 per cent owned by IPB, and Radegast, 57.5 per cent controlled by Nomura.

Bass's stake is sufficient to block a full merger but is worried that the breweries may agree an informal link-up. It is contesting the merger in the courts and in front of the competition authority.

"Consolidation of the

industry is inevitably going to occur," says Graham Staley, head of Bass in the Czech Republic. "But 41 per cent (the merged group's estimated market share) and 14 per cent (Bass's share) is not competition. No one will be able to compete equally with the market leader."

The outlook for smaller Czech brewers looks bleak. Czechs are still the biggest beer drinkers in the world at 160 litres per person a year but demand is stagnant and margins extremely tight. Beer sells for as little as Kč7 a half litre in shops and pubs and brewers have difficulty raising prices above inflation because drinkers have little brand loyalty.

With input costs rising and with many breweries burdened by heavy debts after modernisation programmes, the sector is barely profitable. Twelve breweries have gone bankrupt in the last two years and Bass, for example, has yet to return a profit since it first invested in 1994.

But healthy profits are possible in the export market, where margins are twice as lucrative. Czech beer has a proud reputation - pilsner-type beer was invented in Pilsen in 1842 - and even in the communist era Pilsner Urquell (made by Prazdroj) and Budvar were sold to western Europe.

Since 1989 the eastern market has collapsed but Czech brewers have begun to make inroads into western markets, especially Germany. Bass's Staropramen brand raised exports by 18 per cent in the first nine months of this year and now represents 16 per cent of its output. Nevertheless, Czech breweries only export 10 per

cent of their output of 18m hectolitres and there is room for improvement.

The greatest potential may lie in a revival of eastern markets. Prazdroj, the biggest local brewer in central and eastern Europe, plans to export more than three times as much to Russia this year and wants to make two acquisitions there in the spring to add to its Ragutis brewery in Lithuania. Gambrinus, the top Czech brand, is already brewed under licence at the Hrubanovo brewery in Slovakia and will soon be produced at the Saransk brewery near Moscow.

Prazdroj is increasingly dominant on the domestic market after creating its own distribution system and output rose 20 per cent in the first nine months to 3.5m hl, giving the company a 26 per cent market share. However, it is defending its case for a merger with Radegast to the competition authority with the argument that Czech exports can only be boosted by a further consolidation of domestic production.

Pravda, head of Prazdroj, says: "We must control at least 10m hl of beer or we will remain only a domestic producer." However, Budejovicky Budvar is showing that small can be successful abroad. This year's production is expected to be only 1.15m hl but the company, which is still state-owned, sells half of this abroad.

Privatisation of the company has been held up by a dispute with the US brewer Anheuser-Busch over the trademark Budweiser. It now looks as if the company will be sold to its managers, with the state retaining a share to protect trademarks.

TOURISM • by Kevin Done

## Overcome by the interest

Prague bulges with millions of tourists, while other areas are rarely visited

While Prague is bursting at the seams, other historical towns and cities of Bohemia and Moravia still struggle to attract their share of the millions of tourists, who descend on the Czech Republic each year.

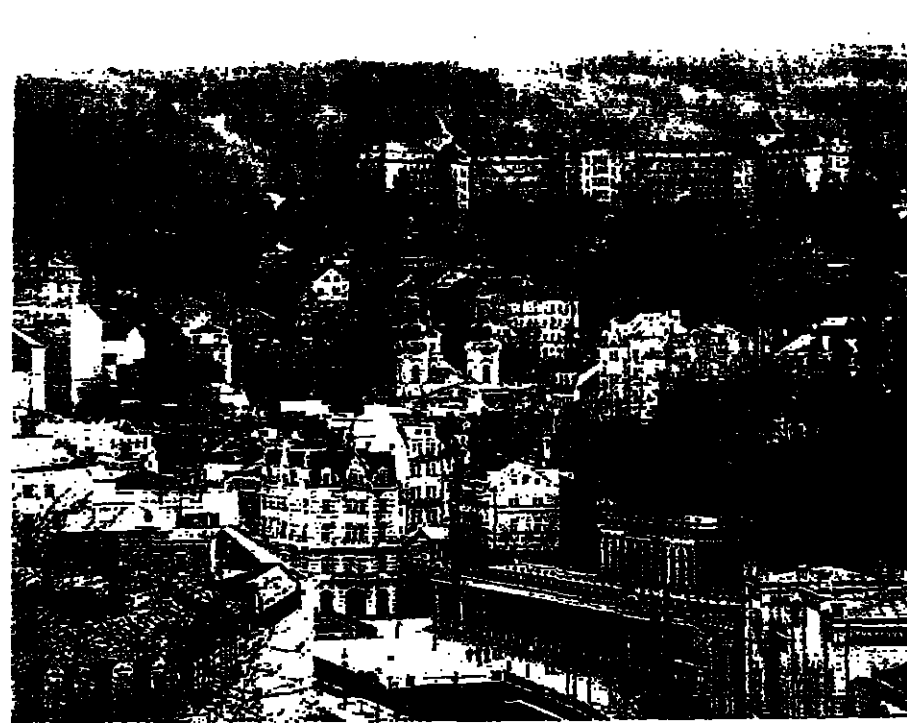
The number of foreign visitors has more than doubled in the past seven years from 51m in 1991 to 109m last year, and even officials in the tourist industry have begun to reel at such growth.

"This is too much, and they all want to come to Prague. It is not possible to live in the city in the summertime," says Karel Kostrik, a specialist in the tourism division of the ministry for regional development.

Tourism officials are promoting programmes to attract more visitors to the regions. One initiative, Czech Inspiration, started in 1995 by the mayors of six cities: Cesky Krumlov, Kutna Hora, Telc, Hradec Kralove, Litomyšl and Policka, has taken on the aggressive subtitle "Do Not Seek Culture Only In Prague."

Officials are also trying to change the structure of the industry so that future revenue growth will come from attracting richer tourists who spend more rather than from simply increasing the numbers.

"Many young people come to drink our beer because it is cheap, but we want their fathers and mothers to come



The regions and smaller towns want to attract more tourists

Prague Photo

too and stay a few nights in good hotels and go to theatres and concerts or other cultural events and visit the glassworks," says Mr Kostrik.

It is a delicate balance. Tourism is big business and plays a crucial role in the Czech economy. Foreign currency income from tourism rose by 41.7 per cent last year to \$4.1bn and is equivalent to about 15 per cent of Czech exports and 6.5 per cent of gross domestic product.

The pace has been a little less frenetic this year - the number of visitors in the first nine months fell by 1.1 per cent to 80.9m, partly

because of the impact of the floods that inundated nearly a third of the country in Moravia and eastern Bohemia in July. But there was little relief in Prague.

One of the most beautiful medieval and baroque cities in Europe, the Czech capital receives 80m visitors a year according to Jan Koukal, lord mayor of Prague. Around 8m stay overnight in the city, for 3.7 days on average. "That is a huge pressure on the infrastructure."

The vast majority of tourists arrive by road. "We are covered with cars. There is a vehicle for every 1.7 people. There are 20 to 30 per cent more cars here than in west

European cities like Frankfurt or Vienna, all in a medieval city with an urban structure from Charles IV (Holy Roman Emperor and King of Bohemia from 1346 to 1378) designed for horses," says Mr Koukal.

The Prague authorities are currently locked in negotiations with the government over the city's plans to issue a \$260m eurobond to help finance infrastructure, to extend and upgrade the Russian-designed metro system, to build ring roads and stimulate home building.

Just as pressing is the need to take steps to deal with one of the biggest scandals to which foreign tourists are exposed, namely the notorious, unregulated Prague taxi business, which preys on the uninformed visitor and has spread a growing stain on the city's image.

Taxi operations were deregulated in 1995 as part of the government's expression of its belief in the free market economy. Taxis have been left to charge whatever they want, and have found rich pickings among visitors ill-prepared for such scams. "Czech legislation is a bit naive," admits Mr Koukal. "We want to have a system that is fair and visible, where the price shown is the same as the price charged."

According to Mr Kostrik in extreme cases some Prague taxi drivers have demanded up to Kč1,200 or Kč1,500 per km. "That is \$40 per km, I don't think there is any city in the world with charges like that. You must pay up or be scared you might be injured by the driver. It's terrible for our image. There are good taxi enterprises too

charging Kč16.50 or Kč20 per km, but taxi mafias force the cheaper taxis into the suburbs."

But relief is in sight. The Lord Mayor says that from December 1 an upper limit of Kč17 per km will be introduced in Prague. He also wants new powers for licensing both individual taxi drivers and taxi companies.

Two-and-a-half hours away in the historic medieval town of Cesky Krumlov, such concerns seem a world away. Here you walk. The remarkably preserved core of the old town centre, tucked inside a horseshoe bend of the river Vltava, is a quiet haven away from Prague at the foot of the wooded Sumava hills close to the Austrian and German borders.

Under communism this town was hard up against the closed border of the Soviet empire, visitors were discouraged, and - mercifully - it escaped development and destruction. In the wake of the velvet revolution the town authorities moved quickly to establish tight control of planning and redevelopment, as buildings in the historic centre came up for privatisation.

They are succeeding, the town was added to Unesco's list of world historical monuments in 1992, but success brings its own problems. More than 1m visitors a year are now coming to Cesky Krumlov, a town with a population of only 16,000 and only one hotel capable of dealing with a full tourist coach.

Dominating the town is the medieval baroque castle, which includes a jewel of European heritage, one of only two perfectly preserved baroque theatres dating from 1766. (The other is at the Drottningholm summer palace, near Stockholm). Conservation work on the theatre is well advanced, and some fortunate small groups of visitors are now allowed a glimpse of its splendours.

Some limited performances are planned to begin in two to three years, but Pavel Slavko, director of the castle, is determined that mass tourism should not be allowed to damage the conservation effort of a unique treasure.

The town is seeking to develop as an international cultural and conference centre with a growing number of galleries and arts festivals. "The philosophy is important," says Mr Slavko. "Because of this theatre Cesky Krumlov is exceptional and we will be looking for exceptional customers. We want to avoid fast, speculative money."

AEROSPACE • by Jo Cook

## An airforce for Nato

There is some confusion as to whether fighter aircraft will be needed

The government announced in March that, as part of its preparation for Nato entry, the Czech military would require up to 36 supersonic fighter aircraft for delivery from 2003. Teams of salesmen from western defence contractors rushed to Prague to pitch for a contract potentially worth \$1.6bn.

Since then a string of agreements covering industry co-operation between the western companies and Czech industrial firms have been signed.

British Aerospace and Sweden's Saab, which jointly make the Gripen, have teamed up with Chemapol Group, a large holding company. America's Boeing McDonnell Douglas, maker of the F/A-18, has lined up with Skoda Plzen, the biggest Czech engineering firm, and LOK, an aircraft repair facility. Boeing is proceeding with CSA, the Czech national airline, in preparation for a planned acquisition of 34 to 40 per cent of Aero Vodochody, a state-owned aeroplane maker. Lockheed Martin of the US has agreements with CRJ, the second largest engineering firm, and the Rez nuclear research institute.

These agreements involve pledges by the aircraft makers to deliver to the Czech

Republic investments, technology transfers and trade packages equal to the cost of the aircraft.

However, internal government disputes over the cost and method of procurement, together with signals from both Nato and Washington that the aircraft is not a priority for Nato entry, have cast doubt on the scheme.

Next year's state budget carries no provision whatsoever for a downpayment for the aeroplanes. That is perhaps understandable given the May currency crisis, July's extensive flood damage and the government's new austerity programme. Hungary's recent decision to postpone the purchase of western aircraft has also focused Prague's attention.

A row has also flared

between the Czech defence and foreign ministries over the way in which the aeroplanes should be bought. The defence ministry favours a purchase through a domestic company, which would almost certainly be Omnipol, an arms dealer in which Chemapol has an 85 per cent stake. But the foreign ministry argues that this might complicate matters for Boeing and Lockheed, as US arms exports are conducted exclusively on a government to government basis, which cuts out the middle men and helps the Pentagon to monitor technology transfers.

On top of this, the Czech government has recently received signals from both Nato and Washington that buying expensive supersonic aircraft should not be the priority of its military modernisation programme.

A senior Nato official says: "There is no such thing as a Nato armaments policy," and that the alliance "is not suggesting that the central Europeans purchase jets."

During a recent visit to the Prague, German military officials suggested that the German airforce could provide air cover for the Czech Republic until the country can afford to buy its own jet aircraft. This suggestion was greeted with suspicion.

The debate about the whole issue has somewhat confused the Czech military and political establishments. The military men are concerned that the Czech Republic is the only country in central Europe which does not have a supersonic airforce. Hungary, Poland and Slovakia each fly Russian made MiG29s.

General Karel Pezl, president Vaclav Havel's advisor on military affairs, argues that "a supersonic airforce is part of the weapons system which the Czech armed forces must have."

Jaromir Novotny, a deputy defence minister, notes that "Luxembourg and Iceland are the only Nato members which do not have a supersonic airforce."

Concerns were raised about the possible effect postponement will have on the struggling Czech aviation industry. All the western aircraft makers have pledged to assemble or share manufacturing of their fighters with Aero Vodochody. One industry source wonders whether "the Czech aerospace industry can survive the next five years without the support that would come with procurement."

Pavel Stejskal, director of industrial projects at the Czech industry ministry, would like to see between "30 and 50 per cent of the offset programmes dedicated to the aerospace industry."

POWER • by Robert Anderson

## An attraction for investors

There is real interest but the government needs to devise a clearer strategy

National Power's purchase last month of 48 per cent of Elektrany Opatovice (EOP), a small generating company, for Kč5.3bn - the largest British investment in the Czech Republic - has highlighted the contest taking place among foreign companies to enter the Czech electricity market ahead of the next stage of privatisation.

British and German companies in particular are buying up shares in the eight regional distribution companies at high premiums so they can assess the market and get a head start when the government decides to sell its remaining holdings of just under 50 per cent.

But they are gambling on the government's intention in devising a clear energy policy setting a timetable for raising household charges from around half those charged to business users. Unless it does that, the eventual price for its stakes will be lower and the necessary investment in new capacity, environmental improvements and upgrading of the low-voltage distribution system will be delayed.

In June, following the EU lead, a cabinet committee approved the goal of creating a competitive power sector and deregulating prices by 2000, and proposed splitting the national grid from the state-owned generator CEZ. But the industry ministry is still considering the issues and there is unlikely to be a co-ordinated strategy put before the cabinet until the middle of next year.

One reason for the delay is the sensitive question of raising household power charges. In July rates were raised 15 per cent and they will increase again in January when they move from the 5 per cent to the 22 per cent VAT band. Ivan Filip, the finance minister, proposes raising prices by 40 per cent next July and by another 40 per cent in 1999 but this goal may fall victim to electoral calculations and the intention of keeping inflation under 10 per cent.

The government also needs an independent regulator, which will control the price the regional power distributors pay CEZ for their electricity. Neither side delights in the current ad hoc pricing policy.

CEZ complains that the 1 per cent increase in prices it was given by the finance ministry this year is insuffi-

cient. Gabriel Eichler, vice chairman, says: "The price to CEZ is less than we need for our investment programme, much of it to meet environmental regulations." In their turn, the distribution companies retort that their margins are much less than in other countries at around 20 per cent.

Analysis says that only once a long-term pricing structure for buying and selling power is put in place under a regulator will the government be able to get a good price for the regional distributors. Karel Kühn, the minister for industry and trade, partly concedes this: "Privatisation must go in parallel with removing price distortions from the energy sector and creating a regulatory system."

But privatisation itself has been the subject of cabinet debate, with the industry ministry proposing a sale to a single investor in each case and the finance ministry preferring part management buy-out and part flotation. The industry ministry appears to have won and tenders will be made in the first half of next year. Miroslav Tvrdik, deputy minister, says: "We want to choose the strategic partner. We don't want him to choose himself. We have to sell the rest of the shares together to maximise the price."

Mr Kühn says privatisation should be completed by the end of 2000 but this timetable allows foreign investors to consolidate and risks cutting the price of the state stakes. Petr Germak, deputy head of the National Property Fund which will sell the stakes, says: "There is a danger that the fund will be in the minority position when they are sold."

The privatisation of the state's 67 per cent stake in CEZ itself is, according to Mr Kühn, "the final stage". Privatisation waits on the completion of the long delayed Temelin nuclear power station. Before this the government must decide whether to split CEZ from the grid to aid competition, and whether to break up its generating capacity, which produces 75 per cent of the country's power. Next year CEZ is likely to divide its operations internally but whether this will lead to a formal split is uncertain.

Mr Kühn says: "Free access to the grid for everyone can be done without splitting CEZ. I don't have a fixed preference." Looking longer term, his deputy, Mr Tvrdik, says: "CEZ will not be privatised this century but when we do, we will have to separate production and distribution."

Cover your Paegas mobile phone purchase with your American Express card...



...and you don't have to pay any deposits!

Paegas mobile phone card and American Express credit card are a good match! When buying Paegas GSM services - you can choose to pay for both your phone as well as for future monthly payments with your American Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.

Express card. Hassle free! Moreover, you don't have to worry about paying any deposits up front - for roaming and international calls - your American Express card guarantees it to you. With Paegas, you also get a great coverage in the Czech Republic and great roaming services in 40 countries on 4 continents.



# Austria

The spotlight falling on Austria next year will reveal a mature and prosperous society but one also facing new political and economic questions, William Hall reports

## Chance to shine on centre stage

Austria has come a long way in the past 10 years. It has joined the European Union, renewed its strong historical ties with its central European neighbours after the fall of the Iron Curtain and consolidated its position as one of the world's richest and most stable countries.

In the middle of next year it assumes the presidency of the European Union for the first time in its history. It will also take over the chairmanship of the International Monetary Fund. Both events will focus international attention on Austria and give it a chance to prove it can once again play a useful role on the world stage.

Hopefully, Austria will not bungle the opportunity as it did 10 years ago. That was a period when Kurt Waldheim, the former United Nations secretary general, was setting down to a six-year term as Austria's president and Austria was hoping to mark itself out as the leading participant in *Mittleuropa* by hosting Expo 95, a world exhibition scheduled to open in Vienna in 1995.

The Expo failed to materialise - a casualty of Austria's notorious political infighting - and Austrians soon found that their new president, far from being "the man the world trusts", was quite the reverse. Following revelations about his shady wartime record, instead of taking its place on the world stage Austria found itself increasingly

ostracised until Mr Waldheim finally retired in 1992. Austria and its politicians are in better shape than they were 10 years ago. Franz Vranitzky, after a respectable 10-year stint as Austria's chancellor, stepped down at the start of the year. He has, however, continued to make a useful international contribution as a Belgian trouble shooter for the Organisation for Security and Co-operation in Europe.

Viktor Klima, who was minister of finance before taking over as chancellor at the start of the year, has conquered the country's short-term budgetary problems and is intent on addressing the longer-term issue of reforming Austria's generous pension system.

Meanwhile, Austria's economy, after a two-year hiccup, is starting to motor again and there are flattering statistics to demonstrate the country's economic and social maturity. It has the highest long-term productivity growth of any OECD country, an unemployment rate which is less than half the European average and one of the world's lowest inflation rates.

Its citizens are among the best educated in the world and its record of peaceful labour relations can only be bettered by Switzerland.

Austrian workers may be paid 15 times more than workers in Hungary and the Czech Republic, Austria's two slightly bigger neigh-

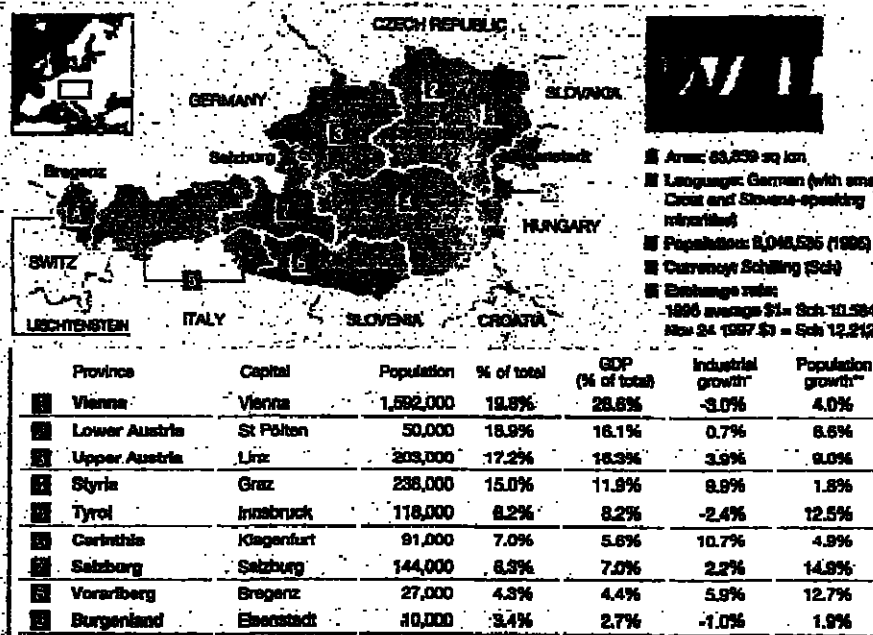
bours, but it continues to attract foreign investors. More than 3,600 foreign companies employ around 370,000 workers in Austria and recent substantial expansions by multinational automobile manufacturers, such as General Motors/Opel and BMW, underline its emergence as a low-cost, high value-added member of one of the world's global industries.

However, scratch the surface a little and Austria is not quite as self-assured as it seems from the glossy brochures of the Austrian Business Agency, the state body responsible for attracting foreign investment.

The reasons for its economic success are no longer as powerful as they once were. Its system of social partnership whereby government, trade unions and employers all have a say in decision-making is proving to be more of a liability than an asset in an era of rapid globalisation.

Jörg Haider's far-right Freedom party, now Austria's second biggest party, never misses an opportunity to test the increasing political fault-lines within Austria's coalition government of the left-of-centre Social Democrats and centre-right People's Party.

If Mr Haider were to achieve his ambition of becoming chancellor after the 1999 elections then Austria might once again find itself being snubbed on the



**Constitution**  
 1 Form of state: Federal republic of nine provinces  
 2 Legal system: Based on the constitution of 1920 as amended in 1989  
 3 National legislature: Bicameral, National Assembly (Nationalrat) of 183 members directly elected by proportional representation, with seats distributed in three stages: regional (43 regional districts), provincial (nine provinces) and federal. Federal Assembly (Bundesrat) of 63 members elected by provincial parliaments  
 4 Electoral system: Universal direct suffrage over age 16  
 5 National elections: December 17 1995; next election due by December 1999  
 6 Head of state: President, directly elected for a maximum of two six-year terms, with no executive powers peace time.  
 7 Current Prime Minister, elected in May 1997: Thomas Klestil  
 8 State legislatures: Nine provincial parliaments, each of which appoints its own provincial governor  
 9 National government: Council of Ministers headed by federal chancellor appointed by president. Currently a coalition of Social Democratic Party and People's Party

Economic summary		1997	1998
		Estimate	Forecast
Total GDP, nominal (\$bn)		196.3	192.9
Real GDP growth annual % change		1.6	2.6
GDP per head (\$)		24,290	23,810
Inflation (annual average % change in CPI)		1.6	1.9
Real wage growth (annual % change)		1.0	1.0
Industrial production annual % change		4.5	5.2
Unemployment rate (% of workforce)		7.1	7.0
Government budget deficit (% of GDP)		3.0	3.0
Government debt (% of GDP)		72.8	73.0
Current account balance (\$bn)		-3.9	-3.6
Merchandise exports (\$bn)		70.0	74.4
Merchandise imports (\$bn)		76.7	81.2
Trade balance (\$bn)		-6.7	-6.8

Trading partners (share of total trade to world, 1996)		Imports	Exports
EU		10.0%	15.5%
Eastern Europe		7.2%	6.8%
Asia		3.1%	3.3%
North America		4.3%	6.9%
Latin America		0.7%	1.1%
Africa		1.8%	1.0%
Australia/Oceania		0.1%	0.8%
Total		34.2%	54.8%

Source: Bank Austria, Wirtschaftsuniversität Österreich, EU, Eurostat, Datastream, ILO

international stage as it was in Mr Waldheim's day.

Although the benefits of EU membership have not been as dramatic as once hoped, they are increasingly visible. Wifo, the Austrian Institute of Economic Research, estimates that joining the EU helped lower Austrian inflation by up to three-quarters of a percentage point in 1995.

The increased competition has also prompted an overdue consolidation in some of Austria's more exposed sectors. Since the start of the year Austria's top four banks have combined into two new groups - Bank Austria and Erste Bank. A similar sort of consolidation is expected in the utility sector.

Nevertheless, Austria still needs to create companies capable of withstanding increased European competition. The sharp increase in bankruptcies since 1996 suggests this process is well under way throughout the economy. However, large parts of the economy still

suffer from too much bureaucratic interference.

Hannes Androsch, a former Austrian finance minister who runs several companies, says that over-regulation is much more of a problem than Austria's high-wage costs, which in some industries now account for less than 20 per cent of total costs.

EU membership is also forcing Austria to follow the EU timetable for deregulating key Austrian industries, such as electricity and telecommunications. It is unlikely that Austrian politicians would have faced up to the challenge of modernising these industries if Austria were not a member of the EU.

Claus Raibl, a successful Austrian industrialist who sits on the board of the state-owned PTT, likens the impact of deregulation to a "change from a command economy to a market economy on a small scale".

Austria's telecoms industry had been run by trades

unions and its main aim was to create jobs. "Politicians decide how to maximise votes and businessmen decide how to maximise profits. The two do not mix," says Mr Raibl. This is one of the biggest problems of the Austrian economy.

The level of political interference and influence in Austria's industry is far higher than in most other countries. The reason it took more than six years to sell the government's controlling stake in Creditanstalt, once Austria's most powerful bank, was because the politicians kept interfering. Talk of a need for an "Austrian solution" to the challenges raised by the deregulation of Europe's electricity industry, is another reminder that Austria's politicians are reluctant to release control over the pillars of the economy.

Helmut Kramer, director of Wifo, estimates that when Austria joined the EU less than 40 per cent of the country's gross domestic product was produced in an interna-

tional open market economy. Now the figure is closer to 65 per cent. This has begun to unleash pressures which will have a knock-on effect on Austria's far less open political system, where the two main political parties have shared out many of the top jobs.

Has OMV, the former state-owned oil and gas company, completely severed its political ties with the ruling Social Democrats? Is Erste Bank, Austria's second biggest bank, entirely free from the influence of the conservative People's Party? Five years ago, the answer would almost certainly have been "no".

But today Austria's top companies are being benchmarked against international standards and the traditional cosy political relationships which used to characterise corporate Austria do not score high marks with international investors.

This is not the only area where Austria will be tested over the next couple of years. It takes over the EU

presidency in the second half of next year immediately before the launch of the single currency. If there are any last minute problems it will be up to Austria to help iron them out.

Then there is the question of EU enlargement. Several of Austria's poorer neighbours would dearly love to join the EU. There are good historical reasons why Austria should actively promote their membership. But there are equally strong short-term reasons, such as Mr Haider's rantings about Austria being overrun by eastern European immigrants, which might tempt Austria to turn its back on its old allies.

Finally, there is the question of Austria's membership of Nato. If Hungary and the Czech Republic want to join can Austria afford to be left out on the grounds of its neutrality?

It will be answers to questions such as these that will determine whether Austria really has come in from the cold.

**Your Gateway to Central and Eastern Europe.**

With custom-tailored advice and excellent contacts in the emerging markets of central and eastern Europe. The Bank Austria Group - your first choice. **Bank Austria**

**MORE AUSTRIA. MADE IN AUSTRIA**

A market characterised by high purchasing power, low levels of corporate taxation and a workforce that is highly qualified and productive make Austria an extremely attractive business location. Particularly for companies wishing to conquer eastern European markets. No other country in the European Union borders more of these emerging countries or can match Austria's expertise in doing business with these markets. The opportunity to make more money is there. All you have to do is take it.

Austria offers a wide variety of EUROopportunities that provide your company with competitive advantages. If you need assistance with your investment project, from joint venture to company formation, simply get in touch with us. We shall be pleased to advise you!

**AUSTRIA EUROopportunity**

Opening: 3. A-1010 Vienna, Austria  
 Tel.: +43-1-588 58-0. Fax: +43-1-586 86-59

**AUSTRIAN BUSINESS AGENCY**  
 Vienna, New York, Tokyo

## 2 AUSTRIA

POLITICS • by Eric Frey

# Consensus keeps Freedom at bay

The governing coalition will endure as long as Jörg Haider remains a threat

The "grand coalition" between the liberal Social Democratic and conservative People's parties that has ruled Austria for 11 years is no longer that grand. Both parties have been constantly losing ground to the smaller opposition parties but, nevertheless, the alliance seems stronger today than it has in years.

The two parties came together in 1986 to keep the populist Jörg Haider, who had just become chairman of the far-right Freedom Party, out of power. They succeeded in leading Austria into the European Union in 1995 and then prepared the country for membership in the first round of European monetary union.

Even though both parties often seem tired of their uneasy partnership, their leaders are determined to stay together, at least until the next elections in 1999.

Next year is gearing up to be a critical one for Austria with a presidential election, the European Union presidency in the second half, a key decision on whether Austria should abandon its traditional neutrality and join Nato and the start of the single European currency. The only alternative to the current coalition would be a hazardous partnership of the junior People's Party with Mr Haider, who once opposed EU membership and now wants to keep Austria out of Euro.

The government of Chancellor Viktor Klima, a Social Democrat, and vice-chancellor Wolfgang Schüssel from the People's Party, can also point to significant achievements in recent months.

After getting Austria's budget deficit down to meet the 3 per cent Maastricht cri-

teria for monetary union, the coalition tackled the reform of the pension system. Even though it was forced to water down its original proposals the long-term costs of public employee pensions were significantly reduced.

The relationship between the two parties also improved after Mr Klima, the former finance minister, took over from long-term chancellor Franz Vranitzky in January. As a gesture to the People's Party, Mr Klima decided not to put up a candidate to run against Thomas Klestil, the federal president, when he runs for re-election next April.

Many Social Democrats are angry that their party will effectively not take part in next year's campaign and few party officials are willing to actively support Mr Klestil. But Mr Klima hopes to spare his party an embarrassing defeat and to secure a continuation of the current coalition after the next elections.

Mr Klestil is a strong supporter of the left-right coalition and intervened several times to prevent Mr Schüssel from joining up with Mr Haider.

Running against Mr Klestil are Heide Schmidt, the sharp-tongued leader of the small Liberal Forum who left Mr Haider's party four years ago and is now his toughest critic, and Richard Löder, a maverick real-estate developer and socialite. If Mr Klestil scores less than 50 per cent and is forced into a run-off, it would be an embarrassment for him. There is a question mark whether Mr Klestil, whose health is poor, can keep up in a genuine campaign.

Just before the presidential poll, the coalition's deadline for deciding on its future defence and security policies is due. The People's Party wants Austria to join both the West European Union (WEU), the EU's defence arm, and Nato, while most Social Democrats

reject membership of any military alliance.

Mr Klima is believed to have some sympathy for the Nato option but seems unwilling to take on the party's grass roots on that issue. Surveys show that a clear majority like the idea of neutrality, which has served Austria well since 1955, and do not want defence spending to rise from the paltry level of 0.9 per cent of gross domestic product.

If the People's Party fails to get its way on the Nato issue, Mr Schüssel still hopes to gain political credit during the six-month EU presidency that starts in July 1998. Austria is the first of the new union members to assume the presidency and key decisions on eastern enlargement and internal reform are expected during that period.

The government believes it can then revive public enthusiasm for the EU, which waned quickly after the 66 per cent vote in favour of membership at the 1994 referendum. Austrians are also unsure about Euro but are, mostly, accepting it as an unavoidable fact. A petition by Mr Haider's Freedom Party in early December calling for a referendum on the Euro is unlikely to receive much support.

Mr Haider is still riding the anti-European wave successfully. The former governor of Carinthia, who was forced out of his position after praising the employment policies of the Nazi regime, also dominates the political headlines with his populist rhetoric and his diatribes against powerful elites and powerless foreigners. He criticises the two bigger parties for not moving ahead with reforms. However he appeals to the older and less educated people who are most likely to lose from economic and social modernisation.

The Freedom Party gets as much as 30 per cent in opinion polls and regularly beats the People's Party, which is now in third place but remains the main political force in the provinces.

A growing number of people see Mr Haider as chancellor after the 1999 elections. For the majority of Austrians, as well as Austria's European partners, this prospect is a nightmare.

## PROFILES Four top politicians



## Viktor Klima

Viktor Klima, who became Austrian chancellor in January following the surprise resignation of Franz Vranitzky, has promised that there will be a change from the cautious ways adopted by his long-serving predecessor.

The former top executive of oil and gas group OMV, who held the posts of transportation and finance minister under Mr Vranitzky, is a believer in quick, decisive action.

His first speech in parliament was laced with English business school terms and his pragmatic vision was modelled all too obviously on British Labour leader Tony Blair.

Almost a year later, Mr Klima, 50, has still not lost his popularity or his smile, but his image as a "doer" has been dented by the realities of governing.

As a minister he belonged to the modernist wing of the Social Democratic Party but he was also close to the trade unions. However, after a bruising battle over pension reform, he has lost some of the trust of these comrades.

On the other hand intellectuals criticise his populist rhetoric and his constant play to the tabloid press.

Nevertheless, Mr Klima has proved himself more skilful than Mr Vranitzky in handling the fragile coalition with the conservative People's Party.

He comes across well on the television and might be the only mainstream politician who can hold his own in a debate with the forceful far-right leader Jörg Haider.

Mr Klima is a ferocious, late-night worker who still loves to go on exotic jungle trips with his attractive second wife, Sonja.

## Wolfgang Schüssel

Wolfgang Schüssel was once the golden-boy of Austrian politics. But since the former economics minister was picked in 1995 to lead the conservative People's Party, his smile has become bitter. A few months later he left the coalition with the Social Democrats over a budget dispute and called a snap election. He lost and resumed the coalition as vice-chancellor and foreign minister.

Mr Schüssel, 52, can rightfully claim that the government's economic policies are, to a large part, his own but he gets little credit for that. His party has slipped to third place in the polls, behind Jörg Haider's far-right Freedom Party, and he is frequently challenged from within the party ranks.

When he was overheard by journalists last summer making insulting remarks about Bundesbank president Hans Tietmeyer and other foreign politicians his popularity hit a low and he became increasingly isolated. But the conservatives, who have had four chairmen over the past decade, are in no mood for a leadership fight.

Mr Schüssel who loves colourful bow ties has been in politics all his life. He served as secretary general of the Austrian Business Federation, a sub-organisation of the People's Party, where he was touted as a rising star.

He can dazzle an audience with his eloquence and is a tough negotiator. He is counting on using these skills in the second half of 1998, when Austria has the EU presidency, to provide a bonus for the national elections in the following year when he aims to prove the doomsmongers wrong.

## Jörg Haider

After years of rabble-rousing rhetoric, Jörg Haider, is softening his tone to gain respectability. Mr Haider, Europe's most successful far-right populist, has managed to push his Freedom Party from 4 per cent to nearly 30 per cent over the past decade.

In some regions, his party is already the strongest force. But his attacks against elites and foreigners and occasional statements in which he seemed to support Adolf Hitler's policies frightened off potential coalition partners and have kept him out of power.

Mr Haider, who looks younger than his age of 47, wants to become chancellor after the next election in 1999. So he has replaced Germanic nationalism with Christian values in his new party platform and focused on conservative free market ideas in his latest book. He has also launched a drive against the single European currency in which Austria is set to participate. This reinforced his image as an opportunist who will use any popular cause to win votes.

He remains a formidable force in Austrian politics. The son of a low-level Nazi official, he is by far the best speaker and has an uncanny talent to spot the weakness of his opponents. He remains the favourite of protest voters who are tired of the institutionalised collusion between the two established parties, the Social Democrats and the People's Party and the petty corruption it breeds.

But even his supporters do not yet trust him to lead a government. In the next few years, Mr Haider hopes to prove them wrong.

## Thomas Klestil

Thomas Klestil is the clear favourite for re-election in next spring's presidential elections. But it has not always been such a smooth ride for the former career diplomat, who won an upset victory in 1992 as a dark horse candidate for the conservative People's Party. An alleged extra-marital affair with an aide caused the break up of his marriage and made him unpopular among women.

Last year, Mr Klestil, who just turned 65, fell severely ill with pneumonia and was out of the office for almost a year. But he slowly recovered and soon made clear he would be running again.

Mr Klestil has suffered political setbacks, as well. He failed in his efforts to turn the largely ceremonial post into a true centre of power and his ardent advocacy for Nato membership did not convince the sceptical Social Democrats or the majority of Austrians.

But the pomp-loving president remains a respected moral authority and an effective emissary for Austrian interests in the EU and beyond. His main contribution to domestic politics has been his efforts to preserve the coalition between Social Democrats and the conservative People's Party, thus keeping the far-right populist Jörg Haider out of power. Mr Viktor Klima, the Social Democratic Chancellor, thanked him by not putting up a rival candidate for the presidency next year.

Mr Klestil still has to guard his health and was told by his doctors to avoid a strenuous campaign. Even though he is not everyone's darling, he will probably get his way.

AUSSENWIRTSCHAFT  
WIRTSCHAFTSKAMMER  
ÖSTERREICH

## AUSTRIA

Excellent Business Partner worldwide

Austrian Trade Commissioners make your Business their Business

For more information please contact the Austrian Trade Commissioner Rudolf Engel  
45 Princes Gate (Exhibition Road)  
London SW 7 2QA  
Tel. 0171-584 44 11  
Fax 0171-584 25 65

or the Austrian Trade Commissioner in your own country

or write direct to the Austrian Federal Economic Chamber  
A-1045 Vienna,  
Wiedner Hauptstrasse 63  
Fax: +43/1/502 06/250

Austria - Gateway to Eastern Europe



## SOCIAL PARTNERSHIP • by Eric Frey

# On balance, too good to throw away

Tensions are evident but consensus is likely to remain dominant

Social partnership is often referred to as Austria's greatest political achievement. The system of constant consultation between employers and employees set up after the second world war prevented labour unrest and kept wage costs relatively low. It also helped to fuel an economic boom that lifted Austria from the bottom to the top of the income rank in western Europe.

But in recent years, social partnership has come under increasing strain. During the recent reform of the pension system by the government of chancellor Viktor Klima, trade unions came close to revolting. A compromise was finally agreed but the conflict increases doubts as to whether the system will survive into the next century.

Social partnership was a result of the calamitous experience of the 1920s and 1930s, when class conflict erupted in civil war, paving the way to Austria's surrender to the Nazis. After 1945, politicians on the left and right, many of whom had been in Germany's concentration camps, wanted to avoid confrontation.

The Socialist Party, now Social Democratic Party, and the conservative People's Party formed a coalition which has governed the country for 30 of the past 50 years.

Most of the heavy industry in eastern Austria was nationalised to prevent its expropriation by the Soviets and trade union officials were given as much power as state managers. The trade unions also received a strong voice in the running of private companies. Labour laws gave workers' councils input

into all management decisions and guaranteed seats on the supervisory boards of joint stock companies.

Wages for each industry were agreed in nationwide negotiations. The unions were not too powerful to be radical - their leaders sat in parliament and filled important cabinet positions.

Several other social partnership institutions were set up. Austrian law requires that all employees belong to the "labour chamber" and every business must be a member of the "economics chamber". Similar compulsory membership in chambers exists for doctors, lawyers and farmers. These chambers also serve as service institutions and economic think-tanks.

Most new laws are first prepared in separate social partnership commissions where experts from the labour and economics chambers provide input.

For many years, the system worked extremely well. Strikes were almost unheard of, as unions accepted relatively modest wage increases in return for job guarantees. This helped to keep inflation down and made Austrian industries more competitive. Until the 1980s, Austrian workers offered comparable skills to their German colleagues at lower cost. As Austrians watched the walk-outs in Italy, France and the UK, they grew to cherish their system of social harmony and dialogue.

But the success of social partnership could not hide its drawbacks. In all leading institutions - the state-owned companies, the monopoly television company, and the central bank - jobs were evenly split between candidates from the Social Democratic and the People's parties.

Membership in either party became a prerequisite for a career in the vast public sector. Trade union

power prevented the restructuring of loss-making companies and the economics chamber made sure that an elaborate system of rules and licences would reduce competition.

The first big shock to social partnership came in the mid-1980s with the near collapse of the state-owned industries. The government was forced to lay off thousands of workers and prepare for the privatisation of areas once seen as the fiefdom of local trade unionists.

As the Social Democratic and the People's Party revived their coalition in 1986 to keep the populist Jörg Haider out of power, the partnership between the two big political camps was viewed with increasing scepticism by the voters.

Both parties lost votes to Mr Haider's Freedom Party, as he attacked the privileges of the party elites. When he uncovered the excessive salaries and pensions of some provincial labour chamber officials in the 1994 campaign, it contributed to the worst election result ever for the Social Democrats.

As economic growth slowed, the annual wage negotiations became increasingly bitter. Employers refused to give job guarantees in troubled industries, and union leaders, especially in the cosseted public sector, came under pressure from members to fight for better wage deals. When Mr Klima and his deputy, Wolfgang Schüssel from the People's Party, decided to tackle pension reform this summer, they purposely did not consult with the unions.

This tactic backfired as the unions abandoned their usual co-operation and mobilised support against any cuts in the pension benefits. The biggest outcry came from the public sector where employees had the most generous benefits and, therefore, the most to lose.

In the end, Mr Klima did not push through a reform against union opposition but negotiated a last-minute compromise. He probably had no choice: a third of all coalition party MPs are close to the unions. They could

have blocked the bill in parliament.

Open clashes between interest groups might eventually replace the current system, where lobbying takes place behind closed doors in the main parties.

Union membership is falling and the labour movement might strike more often but Austria is likely to remain a place of consensus politics and little labour unrest. Social partnership is too good to throw away.

A NEW QUALITY IN BANKING

## If you are looking for the Number One,

- the market leader in the Austrian Equities and Derivatives Market
- a provider of the best service in Fixed Income Products
- offering financial services in Vienna and across Central Europe
- acting as the largest privately owned and independent banking group of Austria

then you should contact the new Erste Bank.

Erste Bank - Founded through successful merger of Die Erste Österreichische Spar-Casse, Bank AG and GiroCredit AG.

Contact our experts in Vienna:

Sales Equities & Derivatives:  
Sales Bonds & Derivatives:

Internet: <http://www.eib.at>

+43/1/551 55  
+43/1/552 06 06

ERSTE



INDUSTRY • by William Hall

# Intent on maximising hidden strengths

Privatisation and modernisation underpin improvement in the sector

Austrian industry is one of the country's best-kept secrets. International visitors know all about Vienna's Spanish Riding School and Mozart's home town of Salzburg. But it is now the sound of industry, rather than the sound of music, which keeps cities such as Salzburg, home to Sony's biggest CD plant, humming.

One reason for the low international profile of Austrian industry is that there are very few Austrian multinationals on the world stage. In addition some of its most successful companies are branches of foreign-owned multinationals, such as Siemens.

Think of Austrian industry and steel, chemicals, paper-making and engineering – big basic industries which are often in long-term decline – will spring to mind. This picture is encouraged by a glance at the market capitalisation of Austria's top five industrial companies – OMV (oil and gas), VA Tech (engineering), Wienerberger (bricks), VA Stahl (steel) and Böhler-Uddeholm (special steels).

There are no fast-growing drugs companies, such as Switzerland's Novartis,

## Austria's leading employers

Company	Headquarters	No. of staff	Industry
Austrian Airlines	Vienna	28,000	Air transport
Post & Telekom	Vienna	28,326	State postal service
Spa	Salzburg	24,000	Hotel
Siemens	Vienna	21,173	Electronics
BAWAG	Vienna	20,000	Banking
Bank Austria	Vienna	18,700	Banking
VA Tech	Vienna	15,000	Engineering
Wiener Stadtwasser	Vienna	15,000	City utility
VA Stahl	Vienna	14,700	Steel
Stalder	Linz	10,541	Construction
Stalder	Vienna	9,400	Building materials

Source: Vienna Magazine

or giant consumer goods companies like Nestlé.

Most of the new names on the Vienna stock market are former nationalised industries. There is no equivalent of California's Silicon Valley with small, high-tech companies anxious to catch the international investor's eye.

Austria's industrial development often seems stuck in a time warp, displaying more in common with eastern than western Europe. The big employers were the heavily politicised state-owned industries which rated success in terms of numbers employed rather than return on equity. However, this has changed dramatically over the past decade and Austria's industrial sector is being rapidly modernised.

Austria may lack the big household names but it has a wealth of medium-sized manufacturing companies which is why, in the first half of the current

decade, Austrian industrial production grew twice as fast as the European Union average. Only Ireland, Norway, Finland and Sweden did better.

Some industries, such as textiles and food processing, have shrunk considerably but production of raw steel, paper and rolled goods has continued to climb despite growing competition from low-cost eastern neighbours.

According to the 1996 statistical year book of the Austrian "Wirtschaftskammer" (economic chamber), the total number employed in the Austrian

economy has risen by more than 100,000 to 2.1m over the past 15 years. However, during that period the industrial workforce fell by more than 150,000 to just over 500,000.

Employment growth has been in the service sector but, even after the shake-out, Austrian industry still employs more than four times as many people as banking and insurance and more than twice as many as tourism.

One reason for the shrinkage in the industrial workforce has been strong productivity growth. But, according to Erhard Fürst,

head of economic policy at the Federation of Austrian Industrialists, there is a good chance that the steady decline in numbers employed in Austrian industry could be reversed next year for the first time in many years if industrial output grows faster than underlying productivity growth rate of 4.5 per cent a year.

Mr Fürst notes that Austrian industry has countered the growing competition from its low-cost eastern European neighbours by moving up the quality curve. The low-tech parts of the chemicals and machinery industry have migrated to cheaper sites in neighbouring countries. But the fact that Austria still has a trade surplus with its immediate east European neighbours suggests its industry is holding its own.

Claus Raidl, chief executive of Böhler-Uddeholm, a former state-owned company, describes his company as a "pharmacy" for the world steel industry. It sells its products by the kilo rather than by the

tonne and relies increasingly on its quality brand name to consolidate its global position in niche areas.

Tool steel may only account for 0.1 per cent of the world steel industry but Böhler-Uddeholm has about 30 per cent of the European market. Barriers to entry are high and the business has many high-tech characteristics, with management skill concentrated in handling the chemistry and metallurgical properties rather than maximising economies of scale.

"We have shown that we can run a multinational company and make money in a mature business," says Mr Raidl. His company has roughly halved the size of its Austrian workforce since the start of the decade and now employs more people outside Austria than in its traditional home market.

The Böhler-Uddeholm story, of substantial restructuring followed by expansion in niche areas, is far from unique in Austria as the old, national-

## Austria's leading companies

September 1997	Market capitalisation	Sector
Company	€ bn	
Bank Austria	65.2	Banking
OMV	50	Oil & gas
VA Tech	49	Engineering
Erste Bank	30.4	Banking
EA Generali	24	Insurance
Wienerberger	23	Building materials
VA Stahl	20	Steel
EVN	17	Utility
Welsch	15	Utility
Böhler-Uddeholm	12	Engineering
Austria Tabak	11	Tobacco
Mayer-Melnhof	9	Packaging
Flughafen Wien	8	Airport
ALFA	8	Airline
Reunited	7	Shipping
Raxer-Hauschild	7	Building materials

\* FT estimate

Source: Vienna Stock Exchange

ised industries adjust to increased global competition. In addition, there are a number of private sector companies – Wolford, Best Water Technology, Wienerberger and Rosenbauer among them – which have established leading positions in world markets.

Austria still suffers from a shortage of home grown high-tech growth indus-

tries, a lack of young entrepreneurs and a shortage of venture capital.

Its universities still seem far more interested in pumping out public officials than entrepreneurs.

But its industrial sector is well aware of its weaknesses and is intent on maximising its traditionally well-hidden strengths.

PRIVATISATION • by William Hall

## Offerings gratefully received

The programme has raised nearly Sch30bn and boosted the stock exchange

Austria's greatest industrial success story over the past decade has been its privatisation programme.

The government has raised close to Sch30bn of extra revenues over the past five years alone, several near bankrupt companies have been revitalised and investors who bought into the initial public offerings have done very well.

It started in 1987 with the sale of a 15 per cent stake in OMV, the state-owned oil and gas company, whose origins can be traced back to the Soviet oil administration in Austria during the 1945-55 occupation.

OMV was floated at Sch440 a share and the shares have roughly quadrupled in value.

Since that first sale, another 50 per cent of OMV's equity has been sold and private investors have bought the bulk of the shares in companies ranging from VA Stahl, the country's biggest steel company, to Vienna airport.

Some, such as VA Tech, have already established themselves among the leading international companies in their field. Others, such as Austria Mikro Systems, a micro-chip producer, have had their ups and downs.

However, the shares of all Austria's main privatisation issues are standing at a handsome premium to their initial flotation price.

Indeed, Erich Becker, who runs the privatisation programme at Österreichische Industrieholding AG (OIAG), the state holding company, estimates that if investors had taken part in the IPOs of OMV, VAE, AMS, VA Tech, Böhler-Uddeholm and VA Stahl, they would have trebled their money over the past decade.

Privatisation issues have accounted for nearly half of all the new capital raised on the Vienna stock exchange over the past four years and accounted for almost half of total stock exchange trading

volume in the first nine months of 1997.

However, investors are not the only ones to have benefited from privatisation. It has led to a big change in the corporate culture of the companies concerned.

When they were state-owned these companies made investments and acquisitions which were not the best and were reluctant to pay out dividends, says Mr Becker. Now, Austria's privatised companies have to earn profits to pay dividends and this is proving a good management discipline.

Instead of measuring themselves by how many people they employ or by the size of their investment budget, return on equity is now the key benchmark. Privatised companies which did not pay adequate attention to Anglo-saxon style investor relations were quickly penalised.

With the recent sale of half the government's stake in Austria Tabak, the former state tobacco monopoly, Austria's privatisation programme is starting to slow down.

Over the next couple of years the government is expected to sell more of its shares in Vienna airport and Austrian Airlines. The state publishing company and Vienna's Dorotheum auction house, one of the oldest in Europe, are also likely to go on the block.

Still to come is the PSK, the Postal Savings Bank, and the state-owned telecoms operator. There are also plenty of utilities owned by local provincial governments and cities as well as Austria's state-owned railway network.

But the political problems surrounding these concerns are considerable. So the role of the OIAG is changing. It retains substantial minority stakes in most of the companies it has privatised and intends to remain a long-term core shareholder. If the privatised companies increase their capital, the OIAG's stake is diluted.

But it likes to retain a long-term shareholding relationship and, often, boardroom representation with the companies it has privatised.

## Leading privatisation issues

Name	Share	Price
	Sch/bn	
Austria Tabak	4.8	1997
OMV	3.7	1996
VA Tech	2.7	1996
Vienna airport	2.7	1996

Source: FT research

## Starting today.



The merger of Die Erste and GiroCredit has created a new platform for growth in Austrian banking – Erste Bank der österreichischen Sparkassen AG.

And we are starting out with an impressive track record. As a full service bank with total assets of over ATS 580 billion (US \$ 57 billion), over 600,000 retail banking customers, some 377 branches in Austria and Central Europe and established strengths in asset management and corporate banking, we are the second largest bank in Austria and the central institution for the Austrian savings bank sector.

Innovation, quality and customer-orientation are key to our philosophy.

But like Philipp and Jakob we are only just at the beginning of a strong partnership and you can be sure we're aiming for the top.

### Contact:

Mr. Gregor Lanz  
ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG,  
Graben 21, Tel: ++43/1/531 00-1511, Fax: 01/531 00-3112,  
<http://www.erstebank.at>

**ERSTE** BANK  
DER ÖSTERREICHISCHEN SPARKASSEN AG

## 4 AUSTRIA

ECONOMY • by William Hall

## Export-led boost aids a return to old vigour

A belt-tightening budget is squeezing the deficit into Emu shape

If you want a simple overview of the strengths and weaknesses of the Austrian economy, a good place to start is the Austrian Museum for Economic and Social Affairs, a short tram ride from the centre of Vienna. It believes that easy-to-read graphs and charts

are far more understandable for the non-expert than the heavy-weight economic commentaries from Austria's leading banks and research institutes.

The charts show that, in 1996, Austria's unemployment rate of 4.4 per cent was the second lowest in the European Union; its inflation rate of 1.9 per cent was well below the EU average and only Italy had a slower rate of economic growth than Austria. The charts show Austria has the third highest labour costs in the

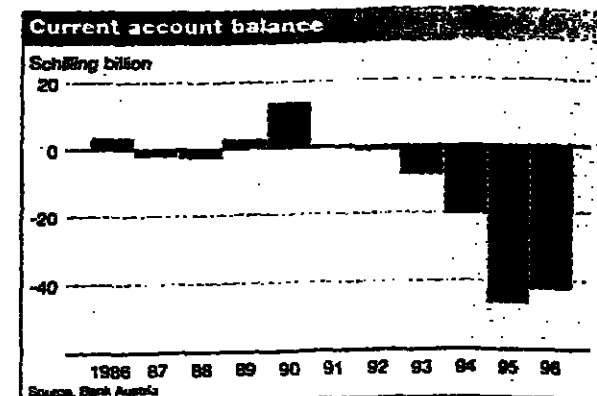
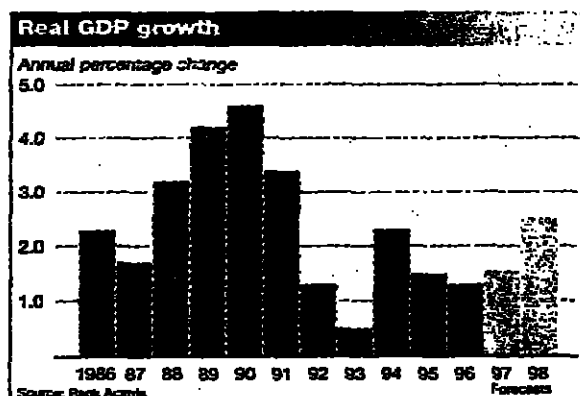
EU but also one of the lowest levels of strikes. In terms of GDP per capita it is now the fourth wealthiest EU member after Luxembourg, Denmark and Belgium.

But at the end of world war two, Austria's GDP was almost half the size it was at the start of world war one. Austria had a lot of catching up to do which explains why, for most of the post-war years, it was growing faster than the European average.

However, Austria is starting to pay the price of

economic success. Its budget deficit, which had averaged around Sch100bn a year in the second half of the 1980s, more than doubled in size in the first half of the 1990s and government debt has roughly tripled over the past decade. Social security spending is among the highest in Europe and the number of pensioners per 1,000 insured persons has risen from 339 in 1960, to 616 in 1996, helped by very early retirement dates for old age pension eligibility.

This background, with



## PROFILE VA Technologie

## A star of the Vienna bourse

The chairman of VA Technologie (VA Tech), the Austrian engineering group, is proud about how little his company produces. The group, carved out of the state-owned conglomerate Voest-Alpine in the early 1990s, has sold off or closed down most of its industrial plants in recent years. It now generates 80 per cent of its revenue from high-value activities such as technological consulting, services and project management.

"Analysts compare us with ABB [the Swedish-Swiss engineering group] but 80 per cent of its sales are hardware," says Othmar Pühringer, who masterminded the transformation of VA Tech into one of Europe's most innovative and profitable engineering groups.

"Bechtel is bigger, but they act mostly as contractors. We, however, develop our own technology and offer it to our customers in a package."

VA Tech's mixture of cutting-edge technology and customer-oriented marketing is one of

Austria's greatest industrial success stories.

Its Correx steel-making technology, hydroelectric turbines and industrial gas cleaning systems are among the best in the world. Net income doubled from 1992 to 1996 on a 40 per cent revenue increase and should climb more than 10 per cent this year.

The company's share price tripled between its initial public offering in May 1996 and its peak last August - the only Austrian blue chip share that kept pace with the rise in international stock markets. Though the stock has slid back in recent weeks, VA Tech shares, of which 67 per cent are in free float, remains on the buy list of most analysts who follow the Vienna bourse.

VA Tech has divided its Sch37bn operations into three areas with roughly similar sales volume and equally good earnings prospects: metallurgical engineering, energy and environment, and plant engineering and services. "It's a good cyclical mix, because when one business

goes down, the other one can compensate," says Mr Pühringer.

Moreover, its wide range of products allows VA Tech to bundle them in so-called operative networks that provide customers with a package of products and services.

Mr Pühringer admits that the co-operation between the subsidiaries, which are run at arm's length, is still not perfect, but it is improving, he says. "Last year we received Sch3bn in additional orders through networks, and it is increasing every year," he says.

The shift toward consulting and services means blue-collar workers are increasingly being replaced by university graduates. "We take on 2,500 new employees every year, and most of them are highly qualified," says Mr Pühringer.

This distinguishes VA Tech from its sister company VA Stahl, which inherited the steel-making activities of the old Voest-Alpine group. This was broken up after twice

coming close to bankruptcy. VA Stahl is also profitable, but far more subject to cyclical market swings than VA Tech.

VA Tech has all but shed the mentality of the old state-owned sector, where job security was paramount, and the income from good products was offset by too many loss-making activities, Mr Pühringer says.

From its peak of 30,000 employees in the mid-1980s, VA Tech went down to 15,000 and is now expanding again.

Current return on sales (Ros) is 5 per cent, and the return on capital employed (Roc) 13 per cent. This brings VA Tech close to its stated goal of 6 per cent Ros and 15 per cent Roc.

Sales should grow at least 10 per cent a year in the medium term, driven by the need for more efficient steel plants, hydroelectric power plants and high-quality waste-treatment and gas cleaning systems all over the world, Mr Pühringer predicts.

Eric Frey

## BANKING • by William Hall

## Confronting change

New companies and new faces are transforming a sector in the doldrums

Austria's banking system is in the midst of its biggest shake up in decades. New institutions are being formed, old names are disappearing and a new generation of bankers is coming to the fore.

The number of credit institutions shrank by 23 in 1996, to 1,109 while the number of outlets rose to just less than 4,700. With one bank branch for every 1,400 inhabitants, Austria remains one of the most over-banked markets in Europe. But that is about to change as Austria's banks face up to the same pressures for consolidation which are shaking up Europe's banking sector.

The most visible sign was this year's takeover of Creditanstalt, Austria's most famous bank, by Bank Austria, a group which did not even exist eight years ago.

Its creation, in 1991 from the merger of Z-Bank, Austria's largest savings bank which had been founded by the City of Vienna in 1907, and Österreichische Länderbank (ÖLB), dramatically changed the pecking order in Austrian banking circles.

The birth of Bank Austria, and its emergence as the country's banking flagship, owes a lot to the drive and determination of Gerhard Randa, 53, a banker who started his career more than 30 years ago in Z-Bank, controlled by the City of Vienna.

Although Mr Randa is still associated, in some people's minds, with the power-brokers of the socialist controlled City of Vienna, which provides Bank Austria's triple A credit rating, he has a much wider experience of Austrian banking than his rivals. He has been deputy chairman of Creditanstalt and chairman of ÖLB.

If anyone knows where the skeletons are buried in Austrian banking, it is Mr Randa, who took over as Bank Austria's chief executive in 1996. His experience of rival banks, and his reading of the changing balance of power within Austria's ruling coalition government, stood him in good stead when Bank Austria launched its highly controversial bid for Creditanstalt at the end of last year.

The Austrian government had been trying for six years to sell its controlling stake in Creditanstalt but to no avail. Most analysts had ruled out Bank Austria as a bidder because it was already Austria's biggest bank. It was also regarded as a political non-starter because of its close ties to the Social Democrats, the senior partner in the Austrian coalition.

Austria's banks, like other parts of the economy, are tagged as either "red" or "black" depending on whether they are close to the Social Democrats or the conservative People's Party, the junior coalition partner. Although most Austrian bankers insist that party affiliations do not colour their business judgment, the People's party strongly

opposed Creditanstalt's acquisition by a "red" Bank Austria since it appeared to substantially increase the "red" sphere of influence at the top of Austrian banking.

However, Mr Randa won the day and now runs an enlarged group which has a 25 per cent share of the domestic market, a market capitalisation of around Sch60bn and is one of Europe's top 35 banks.

He had to accept certain conditions, such as no compulsory redundancies and a commitment to run the banks separately for five years, which reduced the immediate cost-cutting benefits. But he gambled that the benefits of the acquisition, especially in terms of enhancing Bank Austria's absolute financial strength, more than outweighed the cost of the conditions. Judging by the one-third rise in Bank Austria's preferred shares since the deal was announced, the stock market shares his view, at least in the short-term.

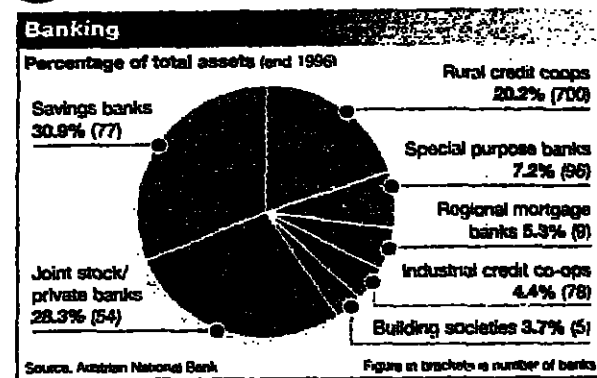
Austria's banking market has been one of the most fragmented in Europe which led to low margins and a return on equity, last year, which was less than half the European average. However, Bank Austria believes that, after years of underperformance, Austrian bank profitability is about to improve, and it intends to lead the way.

After the acquisition of Creditanstalt it has a much more dominant share of its home market than many banks in neighbouring countries and expects this to be reflected in higher margins. It plans to double its earnings per share over the next five years and raise return

on equity to 12 per cent. Bank Austria is not the only Austrian bank intent on playing a role in the consolidation of Austrian banking. Girocredit, Austria's third biggest bank and former business partner of Bank Austria, has been sold to Erste Bank, the fourth biggest bank, which has launched a share offering to pay for the acquisition and attract the attention of international investors.

Like Bank Austria, Erste Bank has deep roots in Austria's savings bank movement. Andreas Treichl, 45, an ex-Chase Manhattan banker, has been made Erste's chief executive. He wants to develop his bank into a powerful second force in Austrian banking. Many analysts believe that because of Erste Bank's better profit record and more profitable business mix, its shares could trade at a premium to those of its bigger rival.

And Mr Treichl's entrepreneurial ambitions are matched by other figures emerging in Austrian banking. The Raiffeisen Zentralbank, central bank of the powerful rural co-operative banking system, is one of the most successful banks in



Source: Austrian National Bank

Figures in brackets are number of banks

on equity to 12 per cent.

Bank Austria is not the only Austrian bank intent on playing a role in the consolidation of Austrian banking. Girocredit, Austria's third biggest bank and former business partner of Bank Austria, has been sold to Erste Bank, the fourth biggest bank, which has launched a share offering to pay for the acquisition and attract the attention of international investors.

Like Bank Austria, Erste Bank has deep roots in Austria's savings bank movement. Andreas Treichl, 45, an ex-Chase Manhattan banker, has been made Erste's chief executive. He wants to develop his bank into a powerful second force in Austrian banking. Many analysts believe that because of Erste Bank's better profit record and more profitable business mix, its shares could trade at a premium to those of its bigger rival.

And Mr Treichl's entrepreneurial ambitions are matched by other figures emerging in Austrian banking. The Raiffeisen Zentralbank, central bank of the powerful rural co-operative banking system, is one of the most successful banks in

eastern Europe, under the leadership of Herbert Stepic, RZB's vice-chairman. It has just opened a branch in Moscow, with a staff of nearly 100, and now employs more than twice as many staff outside Austria as it does at its Vienna headquarters.

The next part of the banking system in need of sorting out is the PSK, the Austrian postal savings bank, where Max Rothbauer, former deputy chief executive of Creditanstalt, is trying to develop a new business strategy. The final plan will depend on whom the Austrian government selects as the PSK's partner. The Raiffeisen Zentralbank and Bank für Arbeit und Wirtschaft (Bawag), a retail bank partly owned by Austria's trade unions, are both interested.

They come from different ends of the political spectrum.

If the government's stake in the PSK is sold to the bidder with the best business plan it will do a lot to exorcise the off-held view that Austria's banks are run with regard to the best interests of the country's political parties rather than the banks' customers.

Austria's main banks					
Bank	Assets (Sch bn)	Number of staff	Number of branches	Mkt share %	Strategic partners
Bank Austria	279,400	10,000	1,000	25	International: Citibank, Chase, etc.
Erste Bank	85,400	7,700	777	12	Commerzbank, Dresdner, etc.
RZB	100,000	10,000	1,000	10	Union, etc.
PSK	248	1,712	1,712	4.5	Europe
Bawag	1,200	1,200	1,200	4.0	Deutsche Bank, etc.

Source: Austrian National Bank

Figures in brackets are number of banks

on equity to 12 per cent.

Bank Austria is not the only Austrian bank intent on playing a role in the consolidation of Austrian banking.

Girocredit, Austria's third biggest bank and former business partner of Bank Austria, has been sold to Erste Bank, the fourth biggest bank, which has launched a share offering to pay for the acquisition and attract the attention of international investors.

Like Bank Austria, Erste Bank has deep roots in Austria's savings bank movement.

Andreas Treichl, 45, an ex-Chase Manhattan banker, has been made Erste's chief executive.

He wants to develop his bank into a powerful second force in Austrian banking.

Many analysts believe that because of Erste Bank's better profit record and more profitable business mix, its shares could trade at a premium to those of its bigger rival.

And Mr Treichl's entrepreneurial ambitions are matched by other figures emerging in Austrian banking.

The Raiffeisen Zentralbank, central bank of the powerful rural co-operative banking system, is one of the most successful banks in

eastern Europe, under the leadership of Herbert Stepic, RZB's vice-chairman.

It has just opened a branch in Moscow, with a staff of nearly 100, and now employs more than twice as many staff outside Austria as it does at its Vienna headquarters.

The next part of the banking system in need of sorting out is the PSK, the Austrian postal savings bank, where Max Rothbauer, former deputy chief executive of Creditanstalt, is trying to develop a new business strategy.

The final plan will depend on whom the Austrian government selects as the PSK's partner.

The Raiffeisen Zentralbank and Bank für Arbeit und Wirtschaft (Bawag), a retail bank partly owned by Austria's trade unions, are both interested.

They come from different ends of the political spectrum.

If the government's stake in the PSK is sold to the bidder with the best business plan it will do a lot to exorcise the off-held view that Austria's banks are run with regard to the best interests of the country's political parties rather than the banks' customers.

William Hall

**No. 1 in Network Banking**

Moscow

New York

London

Prague

Warsaw

**RZB - Completing your Picture of Central & Eastern Europe**

**RZBX Austria**

Sofia

The RZB-Network offers you the largest number of banking outlets in Central & Eastern Europe

As your No. 1 Banking Network in Central & Eastern Europe we offer Commercial Banking services through eight RZB-Network Banks with more than 50 branches throughout the region. In addition we provide you with the services of our Investment Banks, Representative Offices as well as specialized companies (Consulting, M&A, Real Estate Development, Leasing, Commodity Trading) and all allied services. You can rely on the direct support of the RZB-Network in nine countries in Central & Eastern Europe.

Commercial Banks in Central & Eastern Europe:

- Raiffeisenbank AG, Budapest: +361/2662018
- Tatobank, a.s., Bratislava: +421/7302111
- Raiffeisenbank a.s., Prague: +420/24231270
- Raiffeisenbank S.A., Warsaw: +4822/225440
- Raiffeisenbank (Romania) S.A., Bucharest: +4021/220554
- Raiffeisenbank (Slovakia) A.D., Bratislava: +421/7302111
- Raiffeisenbank, Sofia, Bulgaria: +359/7980991
- Raiffeisenbank, Sofia, Bulgaria: +359/7980991
- Raiffeisenbank, Sofia, Bulgaria: +359/7980991

As your partner in Western Europe and Overseas Markets we offer Commercial and Investment Banking services through our units in London and New York, direct support through Representative Offices in Paris, Brussels, New York, Singapore, Beijing, Hong Kong, Tehran, Mumbai (Bombay) and Ho Chi Minh City as well as access to more than 4,500 Correspondent Banks world-wide and through our membership in the UNICO Banking Group to nearly 40,000 banking outlets throughout the world.

Investment Banking Services in Central & Eastern Europe:

- RZB Budapest: +361/2662018
- RZB Prague: +421/7302111
- RZB Bratislava: +421/7302111
- RZB Warsaw: +4822/225440
- RZB Bucharest: +4021/220554
- RZB Bratislava: +421/7302111
- RZB Sofia: +359/7980991
- RZB Sofia: +359/7980991
- RZB Sofia: +359/7980991

**RZBX Austria**

1500000000



ENERGY • by George W. Hamilton

# An abuse of power

The political bungling of liberalisation is doing more harm than good

Austria's energy landscape is facing a turbulent transition from a closely held, mainly government-controlled industry to a more competitive, customer-oriented business.

The change is risky and those involved, ranging from Hannes Farnleitner, Austria's economy minister, to industry leaders, are nervous. If they fail, electricity and gas could easily come under strong foreign influence, if not domination.

Austria's energy structure grew out of the immediate postwar years and little has been updated since, other than a re-organisation of the elements as shareholding corporations. A 1956 law requires that 51 per cent of any electricity organisation be held by a municipal, regional or the federal government, a relic of the post-war era ensuring service area monopolies.

The arrangement comfortably shelters nine all-powerful regional utilities under local administration with the federal Verbund as a central co-ordinating authority. Competition is as good as unknown. But "the post-war solution is coming to an end," warns Rudolf Gruber, head of regional utility EVN.

Mr Farnleitner, a member of the conservative People's party, the junior partner in the Austrian government coalition, this year proposed abandoning the 51 per cent rule as a critical element of restructuring but was pressured into a hasty retreat by regional forces unwilling to make political sacrifices.

However, change is inevitable as Austria's energy industry adapts to the European Union's plans to deregulate Europe's energy markets. Entrenched monopoly positions are being challenged in gas and in electricity, with the latter the first to be confronted.

In Austria, as elsewhere in

Europe, big industrial concerns are demanding cheaper energy in order to remain competitive.

Franz Rotmeyer, general director of Opel Austria which operates a motor and gearbox plant in Vienna, is more concerned about obstacles to reducing his electricity bill than about wage costs. Some 72 of the largest users would be allowed freedom of electricity sourcing under EU liberalisation directives. EU commissioners are showing little sympathy for Austria's foot-dragging over market opening.

Local oil production amounts to only about 12-13 per cent of needs, while Austria recovers some 20 per cent of its gas requirements from domestic fields. Imported oil and gas set the market prices. The country is more than self-sufficient in electricity, with hydro-electric capacities accounting for some 75 per cent of output.

But hydro-electric power is expensive, with enormous up-front investment required. Competitors are lined up across the border offering to supply cheaper electricity than the domestic monopolies, leaving Austrian utilities concerned that their investments will be left stranded.

Gas, too, is under price pressure from potential German suppliers who would be happy to shave a slice out of the virtual monopoly of OMV, Austria's major oil and gas company.

A second factor threatening to change the utility industry is the move towards privatisation - Austrian style.

The concept involves defensive cross-ownership between energy concerns, effectively creating a barrier against possible "outside" (German, French or other major European) intrusion.

Typical is the move to "privatise" 25.1 per cent of Energie Steiermark, a hold-

ing company, made up of the primary Styrian electricity utility and its gas and district heating subsidiaries. French, German and Italian

responded, in October, to an invitation to tender handed by Kleinwachtler, the Styrian energy company. The three Austrian bidders were rejected in the initial pre-qualification round, allegedly because their offers were valued at roughly half those of the French and Germans. But, following personal intervention by Mr Farnleitner, a consortium of Verbund, regional utility EVN and Vienna's municipal utility WienStrom was readmitted to the bidding with an "adjusted" offer.

Within the Ministry, an unwritten principle decrees that at all costs, Energie Steiermark must remain wholly Austrian.

Much of the nervousness over reorganisation and privatisation can be traced to the government's failure to deal with the inevitable. Ministers and officials knew EU directives would require basic shifts in Austria's energy organisation and policies, particularly those affecting electricity. Not until this March were any direct moves made to accommodate Brussels' mandates.

Since electricity industry reorganisation is dependent on new law making, the assignment fell to the Ministry for the Economy which is responsible for the sector. But what has happened could be labelled had opera and the show is far from over.

Mr Farnleitner, despite his experience as a former Verbund supervisory board member, has seen his name tacked on to three separate draft electricity reorganisation laws, none of which convincingly addresses the core issues. He has failed to persuade even his own party to support critical measures necessary for electricity market liberalisation is to conform to EU directives.

Compromises with the Social Democrats, the majority coalition partner, have further diluted any effectiveness the measures might have had. The "Farnleitner III" draft, revealed in early November, has undergone constant revision with few in the industry or govern-

ment satisfied with the changes.

"What's the latest version?" asks Hans Haider, management board member and spokesman for the Verbund. Indeed, Haider questions whether an electricity industry reorganisation bill - even if accepted by the council of ministers - would necessarily find parliamentary approval.

"There is no guarantee that ministry proposals would be retained," Haider notes, in reference to overriding regional interests. The law is scheduled to be passed no later than summer 1998, to take effect in 1999.

With a lack of Ministry leadership, differing and often contradictory ideas are being floated. One proposal is a national energy concern to combine the electricity industry with OMV, which had its origins as the Soviet oil administration in Austria during the 1945-56 occupation.

This fact partly accounts for the close commercial ties between OMV and various Russian energy concerns, notably Gazprom.

OMV has a monopoly over gas imports, about 70 per cent of which come from Russia, and its pipelines carry Russian gas westward to Germany and France. But OMV general director Richard Schenz has little interest in monopolising Austria's entire energy industry.

For practical and political reasons, a single energy concern is barely feasible. Although a few interests such as gas and cogeneration overlap, Schenz disregards the possibility and is pressing ahead independently to strengthen OMV in central Europe and overseas.

Until Mr Farnleitner's ministry, the government and parliament succeed in reorganising the electricity industry to meet EU directives and in alleviating fears of foreign takeover, questions of further energy industry consolidation are unrealistic and far distant.

The risk is that in the meantime the feared "outsiders" will have achieved a fast

PROFILE Lenzing

## Putting their shirt on Lyocell

On October 17 Austria's chancellor, Viktor Klima, opened one of the world's most modern cellulose fibre plants in Heiligenkreuz, a small village on the Hungarian border in Burgenland, Austria's smallest and poorest province.

Lenzing, the company which built the Schilfau (\$125m) plant, is one of the few Austrian companies considered a world leader in its industry. It produces 15 per cent of the world's viscose staple fibre, a man-made fibre which the Americans call rayon and which is made from renewable woodpulp.

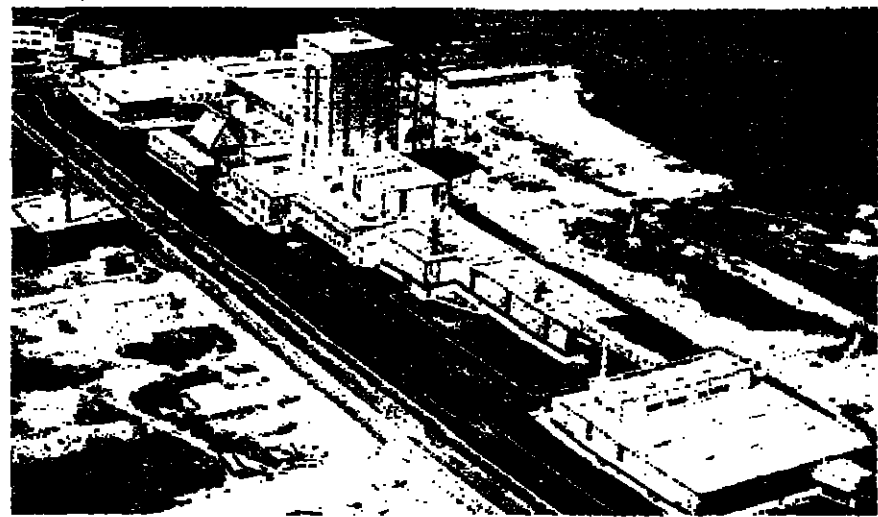
But the new plant will produce 12,000 tonnes a year of Lyocell, a fibre which, its developers believe, could transform the world textile industry.

Lenzing, like many of Austria's traditional industries, is facing serious competitive pressure. Prices of its viscose staple fibre, which competes with cotton and synthetic fibres such as polyester, have fallen sharply and the centre of gravity in the industry is shifting away from Europe to low-cost producers in Asia.

Lyocell is much stronger than viscose, Lenzing's core product, combining cotton's softness and absorbency with polyester's strength. Unlike many cellulose-based fibres it has the advantage of being machine washable. Its developers argue that it can be processed to feel like silk and hang like wool and should be able to command a premium price to traditional viscose fibres.

Its environmental credentials are also good. It uses a much cleaner manufacturing process than traditional viscose production and is biodegradable.

Lenzing's new plant, built with generous subsidies from the European Union, and the substantial costs of launching the new fibre could make or break the company. The project will



Lenzing is convinced it has a winner in its new Lyocell plant

also be a test of whether Austria's high-wage manufacturing industry can adapt to the increasing competition from low-cost producers in Eastern Europe and Asia.

Lenzing is convinced it has a winner. Heinrich Stepanitzka, chief executive, plans to double Lyocell capacity at Heiligenkreuz by the first half of 1999. Over the longer-term production could rise to 60,000 tonnes a year and Lenzing wants to build a second plant, possibly in Asia.

The commercial launch of Lyocell comes when Lenzing's traditional viscose fibre business has plunged the company into the red. Losses of Schilfau in 1996 had escalated to \$174m in the first half of 1997 alone and the company passed its dividend. A cost-cutting programme has been implemented and the European business should be back on its feet in 1998 but problems in the US look more deep-rooted. The economic chaos in south east Asia, where Lenzing has an Indonesian joint venture company, has added to its short-term woes.

Last year was probably the worst ever for global fibre producers, such as Lenzing, with prices falling

to their lowest level since 1980. By contrast, 1997 has seen demand recover but one of the main threats to Lenzing is the rapid growth of polyester, which accounts for around 50 per cent of global man-made fibre production. So much new capacity has been built, or is being built, that demand will not catch up with supply until 2000 or beyond. Polyester prices are very low, and are expected to remain so for several years. This inevitably affects pricing in the whole fibre market.

Hence, Lenzing is taking a considerable gamble in expanding its capacity when many of its European competitors are retrenching because they see no prospect of ever earning an adequate return. Europe's viscose fibre capacity fell by 20 per cent in 1996 and a number of European companies are heading for the exit. IndoRayon, for example, bought Kemira's viscose fibre business and there have been rumours that an Asian producer might take a stake in Lenzing.

Consequently, Lenzing's long-suffering investors will have to be convinced of Lenzing's success or they will vote with their feet. Bank Austria, with more than half the equity, is

known to want to cut its stake.

Lenzing can draw comfort from the progress of Courtauld's Tencel, which is so similar to Lenzing's Lyocell that they have been fighting each other in the courts over the patent rights for a product they both believe can revive their fortunes. Lenzing is bigger than Courtauld's viscose fibre production but, in terms of the new fibre, Courtauld's is roughly four times Lenzing's size.

Gordon Campbell, Courtauld's chief executive, says that Tencel has "moved firmly into profit" and his group is substantially expanding its capacity to produce the new fibre. An extra 42,000 tonnes of capacity is coming on stream at Grimby in the UK and the company is seeking a partner for a 50,000 tonne Asian plant.

There are signs that Lenzing and Courtauld may have resolved their disagreements. Lenzing has indicated the two companies could even work together to promote Lyocell globally. The quicker the fibre is accepted, the faster Courtauld's and Lenzing can grow capacity, reduce unit costs and make money.

Marjorie Walker  
European Chemical News

Subscribe to the Financial Times for one year: get four weeks free.  
For more than a million people in over 140 countries worldwide, the business day begins with the Financial Times. Subscribe now and we'll give you a considerable saving on the newsstand price - and four weeks (24 issues) at no extra charge.

FINANCIAL TIMES  
No FT, no comment.

I would like to subscribe to the Financial Times for one year at AUS 6610.00 - saving me AUS 4749.00 (42%) on the retail price - and receive four weeks' issues at no extra charge. Please send me an invoice.

Name: \_\_\_\_\_ (M, Ms, Mr)  
Company: \_\_\_\_\_  
Address: \_\_\_\_\_  
Post code/City: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Date: \_\_\_\_\_ Signature: \_\_\_\_\_

Return to:  
Financial Times (Europe) GmbH  
Subscription Department  
Neuburgplatz 3  
D-60325 Frankfurt

If you have any questions, please call:  
+49 69 156650

For faster service, fax this form to:  
+49 69 5964461

\* Subscription price in euros at time of going to press. Please allow up to 21 days for your order to start.

(No order can be accepted without a signature.)

VATECH  
VA TECHNOLOGIE AG

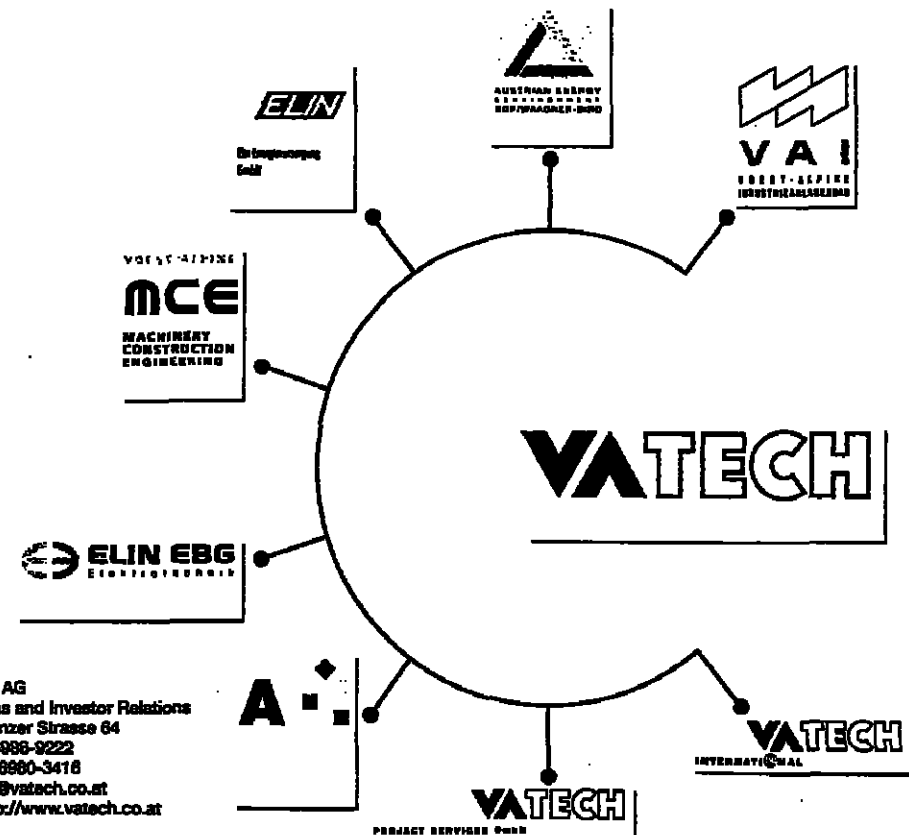
The listed VA Technologie AG is Austria's largest Engineering Group

operating worldwide in the Group Areas

- Metallurgical Engineering
- Energy and Environmental Engineering
- Plant Engineering and Services

VA TECH is the only Austrian company to rank among the "30 most respected companies in Europe". According to a Financial Times survey among European managers and financial analysts, VA TECH occupies 23rd place in the list.

Consolidated Group turnover in 1996 amounted to ATS 33.5 bn, VA TECH achieved a profit from ordinary activities of ATS 1,672 m. In 1996, the Group employed 18,665 people.



VA Technologie AG  
Communications and Investor Relations  
A-4031 Linz, Linzer Strasse 64  
Tel: (+43 732) 6860-9222  
Fax: (+43 732) 6860-3418  
E-Mail: contact@vatech.co.at  
Homepage: http://www.vatech.co.at

## 6 AUSTRIA

TOURISM • by Ian Hamilton Fazez

## Fewer may provide more

With visitor numbers falling, big-spending tourists are the ones to trap

Just how important the tourism industry is to Austria is conveyed by a single statistic: latest figures show it contributing 6.3 per cent of gross national product, the highest share among the 28 most advanced countries which make up the Organisation for Economic Co-operation and Development.

This makes tourism relatively more important to Austria than the industry is to Spain, where it accounts for 4.4 per cent of GNP, and Greece with 3.8 per cent. The Austrian Tourist Board says that more people visit the Tyrol each year than go to Greece and Turkey combined.

Austria does not lead in absolute terms, of course. Its total earnings from tourism of \$156.5bn rank it fourth behind Italy, France and Spain. However, Austria is a much smaller country of only 8m people, so a combination of volume and prices puts it at the top of the OECD's league for income from tourism per head: its \$1,520 is far ahead of Denmark in second place, where the figure was \$704. Spain at \$631 and Ireland at \$613 came third and fourth.

The problem for Austria, however, is that good as these figures are, they have been in decline for five years. The latest figure for share of GNP was down from 8 per cent on the previ-

ous year and the first three quarters of 1997 have given no cause for optimism, though the Austrian government is clinging hopefully to forecasts that the trend will bottom out this year.

Unfortunately, the weather was terrible in July and overnight stays, the industry's leading indicator, tumbled nearly 13 per cent, compared with 1996, to 14.3m in that month alone. This contributed to a 4.4 per cent drop for the period May to August, with 45.6m overnight stays in total.

The good news is that people paid more: revenues were \$55.4bn, a year-on-year drop of only 3.4 per cent.

Broken down, overnight stays by foreign tourists dropped 5.6 per cent to 32.6m, while those by Austrians themselves rose by 1.1 per cent to 13.2m.

There was also an encouraging increase in numbers of tourists from the UK and Italy. Foreign currency variations almost certainly helped here, with the pound alone worth more than Sch20 now, a level last seen in 1990. It had dropped to less than Sch15 Schillings after the UK and Italy left the EU's exchange rate mechanism, making Austria prohibitively expensive for many British tourists.

However, more British and Italian visitors will not make much impact on Austria's overall problem because two-thirds of overnight customers come from one country, Germany. The industry relies, principally, on skiing in winter and hiking in summer, and it is ultra-sensitive to the weather. In the main,

Germans drive to Austria and they may set off, or cancel, on whim when they see the weather forecast.

Nor are Austria's difficulties helped by the industry's multitude of small, family-owned businesses.

They may well help make Austria homely and welcoming but they fragment the sector. Co-ordination is difficult and a coherent marketing policy has proved elusive.

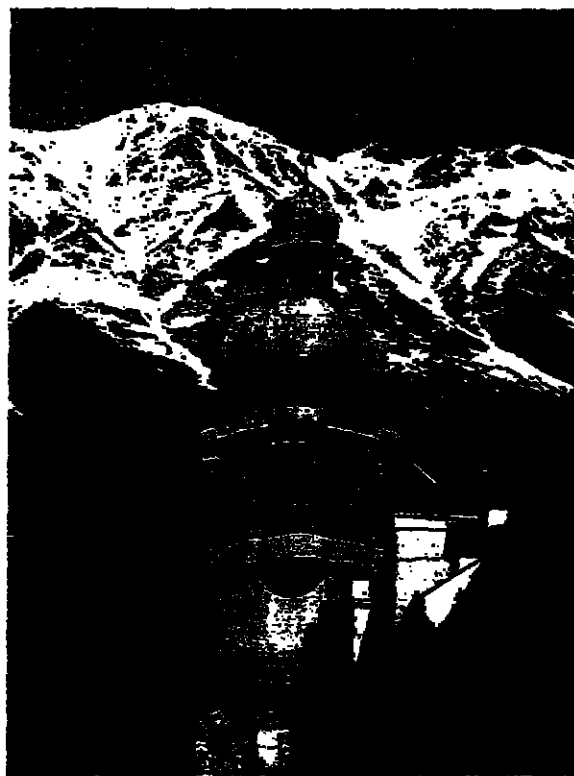
On top of all this, 44 per cent of all overnight stays are crammed into February, June and August. The spread is more even in Vienna and Salzburg, with seasonal concentration most marked in the Alpine provinces.

There, because most visitors come by car, they strain local capacity and crowd Alpine valleys. Economic inefficiency is reflected in an average capacity use of only 30 per cent over a full year, with average unemployment of 18 per cent in the principal holiday areas.

Moreover, German tourists spend 20 per cent less a day than other foreign visitors, largely because campers and caravanners bring most of their own food.

All this makes the industry over-sensitive to relatively lower-priced German volume. And Austria aims to counter this by attracting higher-spending tourists from elsewhere.

The aim is to make a virtue of the fundamental problem that a week in Austria can cost as much as a fortnight's package holiday in the Caribbean. Many of the country's more expensive attractions are being sold as



Seeking high-spending tourists Tony Anderson

high quality niche products.

Art, music and opera in Vienna are obvious examples. So is Vienna itself, perhaps one of the best cities for a long weekend break at virtually any time of the year. Indeed, Vienna is at its best outside July and August, when the weather can be oppressively humid and the crowds are at their most uncomfortable. Silver Night - New Year's Eve - is an experience not to be missed, with people waiting in their loden coats at midnight as the Blue Danube

plays over loudspeakers in the city centre streets.

The dollar's strength, coupled with expansion of Vienna Airport and a constant development of intercontinental services since the fall of the Iron Curtain, are all creating opportunities.

And the increasing numbers of tour parties in Vienna from the US, Japan, Korea - as well as Russia, Hungary and Poland - suggest that at least some of them may be helping to brake the downward slide.

THEME PARKS • by Eric Frey in Vienna

## Developers with fun in their sites

Vienna is considering, not one, but three plans for huge amusement parks

The career of Frank Stronach sounds, to many Austrians, like a fairy tale. He left his Styrian hometown as a penniless tool-maker 40 years ago and went to Canada, where he set up a car parts shop.

He turned his company, Magna International, into the world's largest supplier to the auto industry with annual sales of \$4.4bn.

Then, he returned to Austria with lots of money to spend, a heavy accent in his native German and plenty of unusual ideas.

Mr Stronach's latest plan seems as fantastic as the story of his life. South of Vienna, the business tycoon wants to build an enormous theme park for Sch7bn.

Its key attraction would be a 140m high globe, which will let visitors experience, through virtual reality, the history of the world from the dinosaurs to Michael Jackson.

When the quirky Austrian presented his "Vienna Globe Resort Park" in June, he kicked off a series of high-tech theme park projects for Vienna that, if they are built, could turn a city famous for its desecrated nostalgia into a world centre of US-style tourist attractions.

Not far from Mr Stronach's prospective construction site, an international investor group, led by US investment bank Morgan Stanley and former UN secretary general Perez de Cuellar, wants to build another huge amusement park which would have an ancient Asian myth as its theme.

"Utopolis 3000" would be erected next to the sprawling Shopping City South, which over the past two decades has grown into Europe's largest retail complex.

Visitors from Vienna will arrive by a state-of-the-art cable car and then go underground, where interactive computer technology will let

them search for the book of power and participate in a gigantic battle between the forces of good and evil. A similar theme park is already being constructed in Singapore.

The prospect of two huge commercial projects in the neighbouring province of Lower Austria have set alarm bells ringing in Vienna where retailers are losing ground to the new suburban malls built outside the city.

So Walter Nettek, president of the local business chamber and the embussee of the city administration, devised a rival project.

Mr Nettek wants to build a new entertainment and commercial centre in the Prater, a wonderful nature reserve near the city centre which also features an old-style lunar park, an exhibition centre, two traditional horse-racing tracks and a modern football stadium.

Mr Nettek says he hopes to convince Mr Stronach to abandon his plans for his giant globe and participate in his Prater World project instead.

It seems unlikely that all of these projects will be realised at the same time. Of the three, Mr Stronach's globe, in the small town of Ebreichsdorf, is the most spectacular and most controversial.

Critics maintain that the theme park would destroy thousands of acres of untouched woodlands and create traffic problems on the crowded highways south of Vienna.

Environmental concerns have delayed the approval process for the project and pushed the opening date beyond the December 31 1999 target that Mr Stronach had originally announced.

Mr Stronach has little patience for the critics. "It will be like the Eiffel tower," he says. "At first, they were all against it but now 99.9 per cent are for it." To attract visitors from all over the world, he has to build something spectacular, Mr Stronach contends.

"Nobody comes to Vienna for another merry-go-round." He predicts 15,000 to 20,000 visitors a day and promises

to create 3,500 jobs in an area where there are few employment opportunities.

The theme park has strong support in Ebreichsdorf and the surrounding area where Mr Stronach is a local hero. In neighbouring Oberwart, he acquired a medieval castle with adjoining grounds, where he built Magna's European headquarters, a training centre, a golf course and a luxury housing development for Magna's top managers and wealthy Viennese.

"Money is not an issue," he responds to questions about the steep price tag for his theme park and its financial prospects.

True, Magna, which espouses its own corporate philosophy in its charter, is free of debt and has plenty of cash to finance the start-up investment. Mr Stronach says his investments are his way to thank Austria for the excellent training he received as a young man.

After creating thousands of industrial jobs in the depressed industrial areas in his native province of Styria, Mr Stronach wants to help to boost the troubled tourism industry with his project.

Experts also see sound economic reasoning behind Mr Stronach's globe and the rival projects. Theme park construction is a booming business all over Europe, especially since the turnaround at Disneyland Paris.

Vienna offers a special attraction because of its proximity to the new democracies, where interest in this mix of Silicon Valley technology and Hollywood fantasy is particularly strong. In addition they are the home of rapidly growing middle classes with plenty of disposable income.

The proposed sites are also close to the Vienna airport, which is investing heavily to turn itself into a key gateway for traffic not only from Eastern Europe but also from east Asia.

Once the tourists from Japan, South Korea and other Asian countries regularly make their first European stop in Vienna, two or three theme parks may be viable after all.

DE PARTNER STATES

## An invitation to Austria's highest café



Even at 10,000 metres you can enjoy the traditional hospitality of a Viennese café. Let Austrian Airlines spoil you with coffee, Austrian cakes, pastries and liqueurs on selected flights in Grand Class Europe.

Savour the famous atmosphere of the Viennese café while relaxing in the extra-

wide Grand Class Europe - Seats. A reservation with Austrian Airlines is your ticket not only to the best connections but also to traditional Austrian hospitality. Visit us at the Internet: <http://www.aa.com>

Welcome to The Friendly Airline

## Welcome to our Grand Class Europe

AUSTRIAN AIRLINES

## PROFILE

## Sweet smell of success

Linz, Austria's third largest city and the regional capital of Upper Austria, has always been seen as disadvantaged compared to its more famous counterparts. Vienna has its imperial glories and Salzburg has Mozart. But, as Gerlind Pöschke, of location marketing advisers O.O. Technologie- und Marketing put it, Linz has traditionally been summed up with the phrase "Linz stinks".

Even 10 years ago there was a lot of truth in this. Linz was the centre of cotton production and ailing steel and chemical industries. Ever since the first train in Austria left Linz for Budapest in 1829, it has been the home of Austria's heavy industry. During world war two it grew into an important industrial centre for the German war machine. Thanks to the support of Adolf Hitler who grew up in Linz.

But over the past decade Linz has shrugged off its past and transformed itself into the go-ahead capital of one of Austria's most prosperous regions and is attracting new industries and capital investment as a result. There are several reasons for this, one being that Linz is no longer "smokestack Austria", but one of the 10 cleanest cities in Europe.

It is also a handy size, with just over 200,000 inhabitants, has its full share of baroque buildings and boasts beautiful surrounding countryside, including some of the most attractive stretches of the Danube. These factors, together with a good housing stock, make it attractive to companies seeking a good lifestyle for their employees at a more modest cost than would be the case in Vienna and its environs.

Christoph Leitl, regional minister for economic affairs, says that one of Linz's big advantages is its geographical situation. It is in easy striking distance of

its important markets, Germany in particular, is a significant Danube port and a convenient place for foreign companies to locate subsidiaries. The road and rail system is good and the city has its own airport. Connections from the airport to other European cities could still be improved upon but they are working on it.

Mr Leitl has a clear vision of where Linz and the province are heading. The economic policy is not to give subsidies but to strengthen existing industries and to make it easy for companies to invest in new plants. Austria has no disincentive to attract investment, says Mr Leitl, but this is no longer the case in Upper Austria.

"We said 'down with bureaucracy', says Mr Leitl, with the result that planning permission has been cut from a forbidding three-year average wait in 1991 to just six months. This cuts costs and clearly has an appeal to companies such as Canadian, UK, which chose Linz as the centre for its planned annual production of 500,000 high-quality radiators, mainly designed for export to other European countries. Christian Wimmer, managing director of Canadian Stahlrad, underlines another attractive feature of the region - a highly skilled workforce continuing from its industrial past, adding that "location is not all about labour costs". It might be cheaper to locate in neighbouring countries, such as the Czech Republic and Hungary, but Upper Austria has the advantages of better skills, learning facilities and low inflation.

At only 2.5 per cent, Upper Austria's unemployment rate is lower than the Austrian average but this has not made it difficult to hire skilled employees. Canadian is creating another 100 jobs and has had around 50 applicants for each one. The region's finances are

also in good order. With Upper Austria accounting for a quarter of Austria's industrial production and exports, the growth of the region has produced a budget surplus of Sch1.5bn last year, against a Sch8bn deficit two years ago. Mr Leitl intends to use this surplus to promote research and development.

Linz also benefits from a competitive banking system, anxious to play its part in development, including local names such as Allgemeine Sparkasse Oberösterreich.

Rudolf Wimmer, managing director of Linz, says that small and medium-sized companies have also played a leading role in the rapid growth in trade with Western Europe. Similarly, Manfred Welschmann of Oberbank stresses that small to medium-sized companies have spearheaded the export of machinery and spare parts to Germany, particularly to the automobile and textile industries.

For inward investment Linz has attracted big names, such as Volkswagen, Bosch, SKF, Hilti, Novartis, BMW and others from all over Europe.

But it is not all work. The city and its environs also have tourist potential. Cultural attractions include theatre and musical events, the Bruckner Festival, the Museum of the Future, "Art Electronica", not to mention the natural attractions of the region. But, as Mr Leitl says, it is to be hoped that its full potential is to be realised.

Christoph Leitl